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Parliamentary and Ministerial Salaries

The salaries of Members of Parliament, which in future will be linked to Civil Service rates, have been increased by 21·9 per cent and those of ministers and certain other office holders by between 2·3 per cent and 18·8 per cent. Increases in parliamentary allowances and peers' expenses have also been made. The increases were agreed in the House of Commons on 21 July and in the House of Lords on 23 July.

Members of Parliament

From 1 January 1988 the basic annual salary of MPs will increase from £18,500 to £22,548.

Opening the debate in the House of Commons on Members' salaries and allowances (*Hansard*, Vol 120, Nos 23 and 24, cols 295-344), the Lord Privy Seal and Leader of the House, Mr John Wakeham, referred to the last occasion on which the House had debated Members' salaries. This was in July 1983 (see pp 247-50, 1983) when the House had voted that, from 1 January 1988, an MP's salary would be linked to that paid to the Civil Service grade which was earning £18,500 in July 1983 – equivalent to 89 per cent of the basic maximum of the grade 6 or senior principal scale. This linkage would provide annual adjustments in salaries for future years without the need for annual debates. To become effective, the resolution now required confirmation.

Office Costs Allowance

The secretarial and research assistance allowance payable to MPs will in future be called the office costs allowance. (The present allowance of £20,140 is due to be increased by an amount yet to be decided.) Mr Wakeham informed the House that the change in name was intended to emphasise that the payments available were for costs incurred and did not represent a second general source of income. (MPs are also entitled to travel or car mileage allowances and to free stationery, postage and telephone calls from the House of Commons.)

Ministers' Salaries

From 1 January 1988 the salaries of Cabinet ministers in the Commons will be increased to £34,157, a rise of 3·1 per cent, and in the Lords to £40,438, a rise of 11·1 per cent. The salaries of other ministers and office holders are shown in the table below. In addition to their ministerial salaries, ministers and office holders in the House of Commons receive a parliamentary salary in recognition of their constituency responsibilities as distinct from their ministerial or other responsibilities. This will rise from £13,875 to £16,911 from 1 January 1988.

In his statement to the House, Mr Wakeham said that the Government did not consider that a percentage increase similar to that proposed for MPs would be justified for ministers or other office holders. Instead it recommended that all ministers and office holders in the Commons should receive the same increase of £4,048 as that proposed for MPs. (This would be achieved by increasing the parliamentary salary by £3,036 and by awarding an increase of £1,012 in the ministerial salary.) The salaries of ministers and other office holders in the Lords would also be increased by £4,048.

Peers' Expenses

From 1 August the maximum daily rate which members of the House of Lords may claim for expenses incurred on secretarial work, postage and certain additional expenses (such as cost of equipment or books) increased from £20 to £22, while the annual allowance for secretarial expenses which government ministers in the House of Lords and the Chairman and Principal Deputy Chairman of Committees may claim increased from £2,334 to £2,570. (In addition, peers may claim a maximum daily rate of £52 for overnight subsistence and £20 for daily subsistence and incidental travel, as well as reimbursement for travelling expenses.) The increases in secretarial expenses were agreed in the House of Lords on 23 July (*Hansard* (*HL*), Vol 488, No 19, cols 1529-46).

	Current official salary £	*Official salary from January 1988* £	*Percentage increase*	*Current salary (including parliamentary salary)* £	*Salary (including parliamentary salary) from January 1988* £	*Percentage increase*
Prime Minister*	44,775	45,787	2·3	58,650	62,698	6·9
Cabinet Minister (Commons)	33,145	34,157	3·1	47,020	51,068	8·6
Cabinet Minister (Lords)	36,390	40,438	11·1			
Minister of State (Commons)	22,875	23,887	4·4	36,750	40,798	11·0
Minister of State (Lords)	30,640	34,688	13·2			
Parliamentary Secretary (Commons)	16,885	17,897	6·0	30,760	34,808	13·2
Parliamentary Secretary (Lords)	24,640	28,688	16·4			
Attorney General	35,345	36,357	2·9	49,220	53,268	8·2
Solicitor General	28,625	29,637	3·5	42,500	46,548	9·5
Lord Advocate	36,460	40,508	11·1			
Solicitor General for Scotland†	24,085	34,956	45·1			
House of Commons						
Leader of the Opposition	30,225	31,237	3·3	44,100	48,148	9·2
Chief Whip	27,255	28,267	3·7	41,130	45,178	9·8
Deputy Chief Whip	22,875	23,887	4·4	36,750	40,798	11·0
Opposition Chief Whip	22,875	23,887	4·4	36,750	40,798	11·0
Government Whip	13,815	14,827	7·3	27,690	31,738	14·6
Assistant Opposition Whip	13,815	14,827	7·3	27,690	31,738	14·6
Chairman of Ways and Means	22,875	23,887	4·4	36,750	40,798	11·0
Deputy Chairman of Ways and Means	19,865	20,877	5·1	33,740	37,788	12·0
The Speaker	34,875	35,887	2·9	48,750	52,798	8·3
Members of Parliament	18,500	22,548	21·9			
House of Lords						
Chief Whip	30,640	34,688	13·2			
Deputy Chief Whip	24,640	28,688	16·4			
Government Whip	21,570	25,618	18·8			
Leader of the Opposition	24,640	28,688	16·4			
Opposition Chief Whip	21,570	25,618	18·8			
Chairman of Committees	30,640	34,688	13·2			
Principal Deputy Chairman of Committees	27,530	31,578	14·7			

*The Prime Minister has chosen to receive the same salary as a Cabinet minister in the House of Commons.

†The Solicitor General for Scotland's salary has been adjusted because the holder of the office is no longer a Member of the House of Commons.

The Lord Chancellor's salary is governed by the Lord Chancellor's Salary Order 1987; he receives £82,690 rising to £83,000 from 1 October 1987.

EXTERNAL AFFAIRS AND DEFENCE

Iran-Iraq Conflict

Britain has joined the other members of the United Nations Security Council in a unanimous call for a mandatory cease-fire in the Iran-Iraq war. Because of the danger from mines in the Gulf area the Royal Navy patrol operating there is being reinforced with minesweepers.

The Security Council met on 20 July to discuss the worsening situation in the Gulf and adopted unanimously resolution 598, prepared by the five permanent members of the Council (Britain, France, the People's Republic of China, the Soviet Union and the United States) calling for an immediate end to the conflict between Iran and Iraq.

On 11 August the British Government announced that it would be sending four mine countermeasure vessels to the area to enable the Royal Navy Armilla patrol to carry out its tasks effectively; since 1980 this patrol has provided general protection to British flagged ships passing through the Straits of Hormuz and the southern part of the Gulf.

Background

The origins of the conflict between Iran and Iraq lie in periodic disputes over the centuries between Persians and Arabs for domination in a strategically important area. Repeated disputes over the precise demarcation of the international border between the two countries, which runs for 1,458 km (911 miles) from Turkey in the north to the Shatt al-Arab waterway in the south, culminated in the outbreak of war in 1980 (see pp 290-2, 1980), when Iraq occupied large areas of Iranian Khuzestan and significant pockets of territory along the border. In 1981 Iran began to regain most of this land and in June 1982 Iraq withdrew from all but a few parts of Iranian territory.

Fighting in the current conflict has cost hundreds of thousands of lives and caused enormous economic damage and destruction on each side. In late 1982 and early 1983 Iraqi aircraft made the first attacks on shipping in the Gulf which have since then escalated and been met by increasing Iranian retaliation. In April 1983 Iraqi missiles hit Dezful, starting a long series of attacks on civilian targets, the most serious being the 'war of the cities' in 1985 and early 1987. In March 1984, April 1985 and May 1987, the use of chemical weapons by Iraq was condemned by the president of the Security Council. In early 1986 the Iranians captured the Faw peninsula, on the western bank of the Shatt al-Arab (see pp 88-9, 1986) and the latter part of the year was marked by a sudden increase in Iraqi attacks on economic targets in Iran. The first half of 1987 saw a series of Iranian offensives towards the port of Basra, resulting in huge loss of life, but little territorial gain for Iran.

Attempts at mediation, principally by the United Nations Secretary-General, the Non-Aligned Movement and the Organisation of the Islamic Conference, have failed to achieve a settlement, while United Nations Security Council resolutions have also gone unheeded. The Iraqis have been prepared to negotiate a comprehensive settlement based on a cease-fire, and withdrawal to international borders, but have not been prepared to consider a partial or step-by-step settlement. The Iranians have refused to consider a comprehensive settlement until Iraq is named as the aggressor and the Iraqi leader, President Saddam Hussein, and the ruling Ba'ath party are removed from power.

Security Council Resolution

In the resolution, members of the Security Council expressed deep concern that, despite earlier calls for a cease-fire, the conflict between Iran and Iraq had continued unabated, with further heavy loss of human life and material destruction. The resolution deplored the initiation and continuation of the conflict; the bombing of purely civilian areas; attacks on neutral shipping and civilian aircraft; the violation of international humanitarian law and other laws of armed conflict; and in particular the use of chemical weapons contrary to obligations under the 1925 Geneva Protocol. Deeply concerned that further escalation and widening of the conflict might take place, members determined to bring to an end all military actions between Iran and Iraq so that a comprehensive, just, honourable and durable settlement would be reached by the two sides. It demanded that, as a first step towards a negotiated settlement, Iran and Iraq should observe an immediate cease-fire, discontinue all military action on land, at sea and in the air, and withdraw all forces to the internationally recognised boundaries without delay. It requested the Secretary-General to dispatch a team of United Nations observers to verify, confirm and supervise the cease-fire and withdrawal and urged that prisoners-of-war be released and repatriated after the cessation of hostilities in accordance with the Third Geneva Convention of August 1948. The resolution called upon Iran and Iraq to cooperate with the Secretary-General and upon all other states to exercise the utmost restraint and to refrain from any act which might lead to further escalation of the conflict. Furthermore, it requested the Secretary-General to explore, in consultation with Iran and Iraq, the question of entrusting an impartial body with inquiring into responsibility for the conflict. It recognised the magnitude of the damage inflicted during the conflict and the need for reconstruction efforts, with appropriate international assistance, following

the cessation of hostilities and also requested the Secretary-General to examine, in consultation with Iran and Iraq and with other states of the region, measures to enhance the area's security and stability. Finally, members agreed to meet again as necessary to consider further steps to ensure compliance with the resolution.

In its response to the resolution Iraq informed the United Nations Secretary-General that it was ready to comply with the cease-fire if Iran were prepared to do the same. Iran criticised the resolution, claiming that the Council had shown itself to be partial, but stated that it would remain in contact with the Secretary-General.

Britain's Views

Statement to the Security Council

Addressing the Security Council on 20 July, the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, said that the last year of the Iran-Iraq conflict had seen major offensives on land; renewed air strikes against economic and civilian targets; and increased attacks on shipping in the Gulf, which posed an unacceptable threat to freedom of navigation and had produced a dangerous increase in tension in the whole area. It was, he said, a bloody and senseless conflict, which had taken untold lives and devastated both countries over a period of nearly seven years – longer than any major war this century. There had also been evidence of the use on the battlefield of chemical weapons, a reminder that progress in efforts at Geneva (see p 255) to obtain a total ban on their use was long overdue.

The resolution under discussion was the culmination of many months of effort, first by the permanent members of the Security Council, and later by the Council as a whole. It was based solidly on resolution 582 (see p 88, 1986) and aimed to build on the important step taken by the Council in passing unanimously that resolution. The adoption by the Council of mandatory action under the United Nations Charter should send a clear signal to both sides that the international community was resolved to do all in its power to bring the conflict to an end.

Tension in the Gulf threatened directly or indirectly the interests of many nations and undermined the stability of the whole region, he continued. In particular, attacks on shipping, in contravention of established international law, were a cause of deep concern. Once the attacks on shipping had been halted, a special effort had to be made to ensure that they were not resumed and that the drift towards military conflict in the Gulf was reversed.

Calling upon both parties to abide by the provisions of the resolution, Sir Geoffrey pointed out that it was not an end but a beginning. It was Britain's strong hope that both parties would accede to the demand for a cease-fire and withdrawal and would co-operate with the Secretary-General in a spirit of compromise to achieve a negotiated settlement. In so doing they would have the encouragement and support of the international community. If one or both of the sides chose to disregard their obligations under the Charter, then the Council would use all its powers to make the resolution effective. The world had never been so united in its demand that this war had to stop, if its participants were to remain in the comity of nations.

Statement to the House of Commons

In a statement to the House of Commons on 21 July (*Hansard*, Vol 120, No 23, cols 205-15), Sir Geoffrey said that his presence at the meeting of the Security Council, together with that of six other foreign ministers, underlined the importance they attached to the resolution. As well as representing a united approach by the five permanent members, it owed much to British initiative. The resolution was carefully balanced and favoured neither of the parties more than the other. Both should be able to accept it and in the event of non-compliance, the Council would meet to discuss possible enforcement measures.

Answering questions as to the nature of such measures, Sir Geoffrey pointed out that the British Government already refused to sell defence equipment to either side if such equipment would significantly enhance capability to prolong or exacerbate the conflict. That position was firmly upheld and widely respected by other countries around the world. It was recognised as probably being contrary to Britain's economic and commercial interests, but was undoubtedly morally right. On that basis, he said, Britain would be willing to support a United Nations embargo on arms sales to either party to the dispute if that was thought necessary.

Shipping in the Gulf

International concern at the escalation of the conflict has focused on the threat posed to the stability of the whole region and in particular to the safety of international shipping in the Gulf. It is estimated that between March 1984 and June 1987 almost 200 tankers were attacked, of which 130 were travelling to or from non-belligerent countries. About 100 people have been killed in such incidents, including 37 deaths resulting from an unintentional Iraqi air attack on the United States frigate *Stark* in May.

On 21 July, the United States proceeded with a plan announced earlier in the year in response to a request from Kuwait to protect 11 Kuwaiti oil tankers in the Gulf by placing them under the United States flag and providing them with a naval escort. On 24 July the first tanker to be escorted, the *Bridgeton*, was damaged when it hit a mine 192 km (120 miles) south-east of Kuwait.

Following the incident involving the *Bridgeton*, Britain and the United States held discussions in London on 31 July on the situation in the Gulf, including the threat posed by mines and the prospect of Britain contributing to minesweeping operations there. After these discussions the Foreign and Commonwealth Office issued a statement which confirmed that Britain was seeking by all possible means to persuade both Iran and Iraq fully to respect the call for a cease-fire, and in particular to refrain from any hostile acts against shipping in the Gulf. In this way the underlying causes of tension in the Gulf would be removed. In pursuance of its commitment to the principle of freedom of navigation in Gulf waters, Britain would maintain the Armilla patrol for the protection of British shipping. It would also be keeping the situation and the threat to shipping under constant review, but had no plans to send minesweepers to the Gulf at this time.

However, on 10 August a Panamanian-registered oil tanker, the *Texaco-Caribbean*, was mined near Fujairah, 13 km (8 miles) from the coast of the United

Arab Emirates south of the Straits of Hormuz. Further mines were discovered in the area on 11 August.

Because of the increased danger from mines in the Armilla patrol's occupational area, the British Government announced on 11 August that it would be sending four Hunt-class mine countermeasure vessels together with a support ship, to enable the patrol to carry out its task effectively. Giving details at a press conference on the same day, the Secretary of State for Defence, Mr George Younger, said that the latest mining had taken place outside the Gulf and that the Armilla patrol could not safely do its job without having the ability to deal with mines. The patrol would continue to accompany British flagged ships through the Straits of Hormuz in order to deter attacks on such vessels. The mine countermeasure ships would arrive in the area in five weeks time.

On the question of action by other countries, Mr Younger said that Britain would encourage those with a minesweeping capability to make a contribution, for the traffic going up and down the Gulf was of vital importance to the economies of western Europe. Also on 11 August the French Government announced that it would be sending two minesweepers, with escort ships, to join a naval task force in the area.

Chemical Weapons

New proposals to make a convention banning chemical weapons more effective were presented by Britain to the Conference on Disarmament in Geneva in July 1987.

The proposals, detailed in a paper entitled 'Making the Chemical Weapons Ban Effective', are the latest in a series of proposals Britain has made in recent years in its efforts to bring about a chemical weapons ban. In 1976 Britain tabled a draft convention for banning the development, production and stockpiling of such weapons, and in the 1980s has introduced a number of working papers to the Conference. These have included a paper on challenge inspection, allowing a party to a convention to be challenged whenever compliance is in doubt (see pp 79-80, 1984), and detailed proposals on compliance; the verification of non-production of banned chemicals; measures to prevent the misuse of civil chemical facilities and the diversion of certain industrial chemicals to illicit military use; and the institutions necessary to administer a convention (see pp 103-4, 1985, and pp 260-2, 1986).

Minister's Speech

The British paper was tabled at the Conference by Mr David Mellor, Minister of State at the Foreign and Commonwealth Office, on 14 July. In his speech, he pointed out that while Britain had given up its chemical weapons capability in the 1950s and the United States had stopped making such weapons in 1969, the Soviet Union had announced only in April 1987 its decision that it had ceased production. Even if this was so, the West still had to face a truly massive Soviet stockpile. One could not ignore the frequent and insistent reports of the spread of chemical weapons (see p 89, 1986), the Minister stated, and the aim of the Conference on Disarmament, therefore, was to abolish them completely in an effective, verifiable global ban. Substantial areas of agreement had been made in the Conference on the destruction of chemical weapons and on their means of production, while the importance of verifying the production of civil chemicals has also been accepted; many other problems of principle, too, seemed set to be resolved. As the solutions to some of the differences of principle became clearer, Mr Mellor said, it was important to think through all the practical implications. All accepted the need to verify that chemical weapons were not secretly produced and that precursors made in civil industry were not diverted or abused. At the same time, it was recognised that the objectives of a convention had to be reconciled with the legitimate concerns of the civil industry if the convention was to be acceptable to all. In particular, agreement had to be reached on the chemicals to be subject to verification, levels of production and ways of updating the regime to take account of advances in science.

Another area that had to be thought through, Mr Mellor explained, concerned the means of carrying out a chemical weapons convention. Britain had always stressed the case for having an international organisation able to carry out the important task of overseeing a convention's implementation, and the new paper contained detailed ideas on what was needed.

British Paper

In the paper, Britain states that it would be important to ensure that once the convention banning chemical weapons had entered into force, its implementation would be effective immediately, for, without that guarantee, there would be no confidence that verification would take place properly. Since a number of the convention's obligations – for example, the requirement to make initial declarations covering chemical weapons, chemical weapons production facilities, and facilities declared for the non-production verification regime – would have to be monitored and verified almost immediately, a substantial part of the organisation's staff would have to be in place before the entry into force of the convention.

Another point to be considered was how many states should ratify the convention before it could come into force, since states party to it would have to be confident that their own relinquishment of the right to possess chemical weapons would be reciprocated by other states, for otherwise they could be inhibited from ratifying the convention in the first place. Britain believes that at least 60 countries would have to ratify the convention before it could come into force.

The paper states that, before entry into force, sufficient trained inspectors would need to be recruited and equipment to assist in the inspections would have to be purchased. The tasks of the inspectorate would include undertaking initial inspections of declared facilities (such as chemical weapons stockpiles, chemical weapons production facilities, single small-scale production facilities, and certain declared civil production facilities); verifying initial declarations of stockpiles and, where appropriate, placing them under immediate international control; providing advice to parties on the building of destruction facilities; and conducting challenge inspections in the event of one party requiring reassurance about the declarations of

others. The paper considers that at least 60 inspectors and perhaps 120 support staff might be needed to get the convention off to an effective start.

Referring to the international organisation for the convention, the paper says that there should be a preparatory commission, composed of signatory states and charged with making all necessary arrangements to enable the organisation to be brought into existence; a technical secretariat comprising trained staff; and a consultative committee and an executive council which would take over from the preparatory commission. The convention, the paper concludes, would only be effective if the organisation was fully operational from the beginning so that all parties could have the necessary confidence in its capacity to safeguard their security in this important arms control field.

Falkland Islands Economy

The increased importance of the contribution made by fisheries to the economy of the Falkland Islands is emphasised in the 1986 report of the Falkland Islands Development Corporation.

Fisheries

In a foreword to the report[1] the Corporation's chairman, Mr Gordon Jewkes (also the Governor of the territory), says that events following the declaration of the Falkland Islands' Fisheries Interim Conservation and Management Zone in October 1986 (see pp 351-2, 1986) have changed the whole economic outlook. The Islands now have 'a source of income which should provide a sizeable surplus of income over expenditure for investment in development'. This income includes licence fees paid by fishing companies wishing to fish in the zone.

Following the declaration of the zone, the report continues, the Falkland Islands Government decided that, when allocating licences for fishing, preference should be given to companies prepared to enter into a joint venture with Stanley Fisheries Limited (SFL), a subsidiary of the Corporation. Under these arrangements the joint ventures are controlled by SFL with 51 per cent of the shares, but are funded by the fishing companies which, in addition to fishing licences, pay sums equivalent to the licence fee to secure the joint venture agreement. The aim is that SFL and its partners should invest these sums in developments such as buying and chartering trawlers, port and bunkering facilities, cold stores and fish processing. Most of the joint venture partners are British. One development being undertaken by a joint venture is the commercial exploitation of crab fishing. A pilot salmon farm was established in 1986 by the Corporation.

Other Developments

Other developments recorded in the report include a general training scheme for islanders in skills beneficial to the community, the opening of various businesses, including a building contractor/plant hire undertaking and a marine and mechanical engineering establishment, and the creation of four small factory units leased by the Corporation to small businesses. Falklands knitwear weaving and yarn went on display in two Scottish craft fairs. A hydro-electric generator and a wind generator are being sponsored. One farm was subdivided into six newly created small farms and another was purchased to be resold to a new company owned by the farm employees. A farmers' co-operative opened in 1986. It is expected that the first fresh produce from the hydroponic market garden will be available by the end of 1987; the crops are grown in solutions of nutrients because of the Islands' poor topsoil.

During 1986, as part of its efforts to promote tourism based on the Islands' wildlife, the Corporation invested about £500,000 in the construction and renovation of three tourist lodges, the first parties of tourists arriving in November.

[1] *Falkland Islands Development Corporation. Report and Accounts 1986.* Available unpriced from Broad Street Associates Public Relations, 30 Furnival Street, London EC4A 1JE.

International Debt

Britain's commitment to the principle of concessional interest rates for the most heavily indebted sub-Saharan African countries was reaffirmed by the Chancellor of the Exchequer, Mr Nigel Lawson, on 22 July.

Speaking to the all-party Parliamentary Group on Overseas Development, Mr Lawson said that, although most discussion of the debt problem had understandably been focused on the middle-income debtor countries such as those in Latin America, these countries were in a position to reduce their debt burdens by their own actions since they were for the most part rich in natural resources and had a fairly well-developed industrial structure. This concentration on the middle-income debtors had meant that until recently the plight of countries in sub-Saharan Africa had been neglected. These countries were very poor; their gross national product per head in 1985 had been about $280, less than a fifth of that in middle-income debtor countries.

Mr Lawson pointed out that the poorest and most heavily indebted countries of sub-Saharan Africa had no chance of returning to viability by their own efforts and their ratio of debt to national income was much higher than that in the middle-income debtors. Although there was a great deal of scope for sub-Saharan African countries to start to improve the health of their own economies, this would not in itself be enough to reduce their debt burden. In contrast to middle-income debtors, two-thirds of sub-Saharan countries' debt was owed to other governments and to international institutions rather than to the commercial banks. Because responsibility lay with governments, Britain had proposed a three-point plan in April to support those countries pursuing satisfactory economic policies. This would involve the conversion of aid loans into grants by creditor nations, longer repayment periods in the rescheduling of other official loans and reductions by the creditor countries of interest rates to well below market levels. Britain had almost completed the process of converting aid loans to grants and

arrangements for rescheduling on more generous terms had been agreed between the industrialised countries and Mozambique, Mauritania, Uganda and Zaire.

However, there had been insufficient support from other creditor countries for interest reductions. Without some reduction, the debt burden would get worse, as had been happening since 1980. Many of these countries had no realistic prospect of meeting even their full interest payments at present, let alone repaying capital. The interest was therefore capitalised and added to the total burden of debt. As long as this process continued, the debt burden would rise exponentially. The only way out of this vicious circle was to reduce interest charges so that the debtor countries could meet their current obligations and start to make inroads into the capital they had to repay.

Emphasising that this facility should only be made available to countries which were implementing satisfactory economic reform policies, Mr Lawson said that the long-term aim for the sub-Saharan countries was that they should be able to play a full part in the world economy. They needed to restructure their economies to shift the balance back towards agriculture; some of the poorer countries did not help themselves by overtaxing farmers or not paying producers the world market price for their products. The already overwhelming arguments for reform of agriculture in the developed countries (see p 155) were strengthened by the effects present policies were having on the developing countries.

The present system in developed countries entailed spending large sums of money on storing and disposing of surplus food. This was doing damage not only to their economies, but also to the very poorest countries in the world. The need to make markets more, rather than less, free and to give the poorer countries continued access to developed countries' markets applied not only to agriculture, but also to trade of all kinds.

British Overseas Aid in 1986

Gross public expenditure on British overseas aid in 1986, described in the latest annual report of the Overseas Development Administration which was published in July,[1] was £1,358 million: of this £847 million went to bilateral aid in providing assistance to long-term development mainly in poor countries in Africa and Asia; and £511 million to multilateral aid agencies.

As a result of its 1986 review of spending, the Government increased the allocations for overseas aid[2] in the three financial years 1987-88 to 1989-90 by £48 million, £88 million and £128 million respectively, increases that will maintain British aid in real terms at least at its 1986-87 level.

INTERNATIONAL TRENDS

In 1986 rain brought some recovery to parts of Africa, and a further relief for some poor countries came because of a fall in oil prices. However, this fall also meant reduced export earnings for some countries and producers of many primary products earned less from their main exports. More countries recognised the need to adjust their economic structures and to adopt new policies, a process encouraged by the International Monetary Fund (IMF) through its new Structural Adjustment Facility for the poorer states. At a special session of the United Nations in May 1986 (see pp 187-9, 1986) the international community and the African states agreed to a programme of action aimed at revitalising the development of African economies. Some $12,400 million of highly concessional assistance will be available to the poorest countries of south Asia and Africa following the completion of the negotiations for the Eighth Replenishment of the International Development Association (IDA; see p 260). There was also progress on the IMF/World Bank initiative to help 15 middle-income countries to resolve their large debt problems. Programmes have been agreed between the international financial institutions, commercial banks and bilateral donors to help two-thirds of those countries, most of which are in Latin America. Most of Africa's debt, by contrast, is owed to official creditors, and Britain joined with other creditor countries in rescheduling the official debts of several African countries on generous terms.

Total net official development assistance (oda) flows in 1986 from all sources rose from $37,000 million in 1985 to $46,000 million in 1986, an increase of $9,000 million, of which over 80 per cent came from members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development. Net oda from DAC countries was $37,000 million (0·36 per cent of gross national product – GNP – for these countries as a group).

In 1986 Britain's net official development assistance was £1,193 million, equivalent to 0·32 per cent of its GNP. Private flows from Britain increased in 1986 to £3,595 million after a low point in 1985 – this included direct private investment (£1,850 million) and bank lending (£1,500 million), which reached its highest level since 1981. Net private and official flows together (£5,015 million) came to 1·34 per cent of GNP, exceeding the United Nations target of 1 per cent.

BILATERAL AID

Of the bilateral aid of £847 million going to 127 countries, over 60 per cent went to the 50 poorest of them. Commonwealth countries received 76 per cent (£535 million) of that allocable to individual countries. The greater part of Britain's bilateral aid took the form of financial aid (£447 million), of which project aid – that is, grants and loans to finance specific projects – was the single largest item (£236 million). Increasing emphasis was placed on the provision of programme aid (£56 million) which, normally offered to sub-Saharan countries in support of the IMF/World Bank

[1] *British Overseas Aid 1986.* Annual review of the work of the Overseas Development Administration. HMSO, £7·95. ISBN 0 902500 20 1.

[2] Public expenditure on overseas aid, the main British concept for reporting aid flows, is made up of expenditure by the Overseas Development Administration funds drawn from the Commonwealth Development Corporation's past earnings and small amounts paid to international organisations by other government departments.

agreed programmes of structural adjustment, enables recipients to purchase urgently needed raw materials or spare parts to sustain or improve capacity in key economic sectors. Expenditure on the Aid and Trade Provision (ATP) went up in 1986 (from £42 million to £78 million), largely as the result of a major project in Malaysia. Twenty-one of the poorer countries also continued to benefit from debt measures: most were included in Britain's Retrospective Terms Adjustment Scheme, in which debts on past loans are cancelled. The total cost of this scheme to the aid programme is nearly £1,000 million over some 20 years. Food aid and disaster relief, so large in 1985 because of famine in sub-Saharan Africa (£61 million), totalled £27 million.

In addition to financial aid, there are technical co-operation programmes which provide individual developing countries with access to essential skills and expertise through the provision of manpower, training and consultancies and which amounted to £171 million; and loans and investments (£73 million) by the Commonwealth Development Corporation (CDC; see below).

The largest recipient of British bilateral aid was India (with £143 million), followed by Malaysia (£54 million), Bangladesh (£38 million), Zambia (£35 million), Kenya (£34 million) and Sudan (£26 million). The overall regional balance of the bilateral aid programme has altered during 1986, with Asia receiving £303 million (43 per cent against 38 per cent in 1985) and Africa £285 million (40 per cent against 45 per cent in 1985). The Caribbean, Latin America, the Pacific, Europe and the Middle East received £122 million (17 per cent). £137 million was unallocable by region.

Aid by Sectors

The Overseas Development Administration (ODA) provides developing countries with assistance ranging from advice on the creation of economic infrastructures, on management organisation, on technical issues, and on training to practical assistance such as materials and spare parts. In parallel with this rehabilitation and training, the ODA also finances (£231 million in 1986) the construction of new capital works, including strategic highways, thermal power stations, large dams for the storage of water for irrigation and power generation, schools, clinics and hospitals. In 1986, the ODA spent £297 million on project aid, including £88 million on energy, £75 million for social and community services (water supply, sanitation, urban and industrial development, housing, education, health and welfare, and public administration), £56 million on mining and £40 million on transport and communications. Some £35 million was spent on renewable natural resources (agriculture, forestry, fisheries and irrigation).

Commonwealth Development Corporation

The Commonwealth Development Corporation invests in public and private sector projects in developing countries in the form of equity and long-term loans, funding its investments by borrowing at concessional rates of interest from the aid programme, borrowing on commercial terms, and by using the profits from its investments after taking into account its debt-servicing obligations. In 1986 it received over £35 million in aid loans, borrowed £6 million on commercial terms from the National Loans Fund, and had available £43 million from its own resources. At the end of 1986, the CDC had more than £972 million of commitments spread across 247 investment projects in 48 countries; 68 per cent of commitments in value were in the Commonwealth. The largest of the CDC's new commitments was a loan of £15 million for a project in Sri Lanka involving the construction of a hydro-electric plant (see p 263). A loan of £8·8 million was provided to construct and operate a plant to process oil palm fruit in Costa Rica, and a loan of £2·3 million was given to build six industrial factories in Mauritius. Smaller CDC loans were also provided in Swaziland and Fiji.

Aid and Trade Provision

The ATP scheme is designed to assist British exporters to win sound investment projects in developing countries where there is a reasonable prospect of follow-up business on commercial terms, thereby enabling them to compete with other foreign firms who receive the benefit of low interest credit offered by their governments to recipient countries. In November 1985, a new facility was introduced allowing banks to provide long-term loans to developing countries at low rates of interest for specific projects agreed between Britain and the recipient country. Two agreements signed under the new scheme were made with the People's Republic of China, with loans of up to £300 million (see pp 220-1, 1986), and Indonesia, with loans of up to £140 million. In 1986 expenditure on ATP amounted to £78·2 million, while eight new agreements were signed involving a total export value of £312 million, including a rural water supply scheme in Malaysia (£194 million), a Sri Lanka hydro-electric project (£57 million) and electrical distributors for Burma (£20 million).

Emergency Relief

Emergency relief aid is concerned with the need to respond quickly to disasters and to provide relief to refugees, and this job is done by the ODA's special Disaster and Refugee Units. Although the effects of the Africa famine were decreasing, appeals for disaster relief – mainly in Africa – almost doubled during 1986. Emergency supplies of food and seeds were still needed while people waited for the next harvest. Moreover, after a gap of nearly 30 years locusts once again threatened African agriculture; the ODA's disaster funds were used to pay Britain's contributions towards emergency control programmes of the locust in Africa while longer-term arrangements were being set up. In October, rescue teams from the British services and the London Fire Service carried out search-and-rescue operations after an earthquake in El Salvador, while a Ministry of Defence team assisted in the Solomon Islands following a cyclone in June. Relief items – mainly trucks and clothing – were supplied by the ODA's Disaster Unit to Mozambique in 1986 at a value of £2·4 million, delivered through voluntary societies. Food bought from Zimbabwe, worth some £4·5 million, was delivered to help over 1 million Mozambicans displaced because of drought and civil strife; a special grant of £660,000 was also made to the United Nations Children's Fund.

In 1986 Britain provided almost £29 million to help up to 12 million refugees, mainly through the United Nations High Commissioner for Refugees (£16·47

million), other United Nations agencies and international organisations.[1]

Technical Co-operation

Of the £291 million spent in 1986 on technical co-operation, £171 million fell within bilateral country programmes, of which £64 million was spent on the provision of manpower, £51 million on training in Britain and overseas, and £33 million on consultancies.

Consultancies

Between July 1985 and June 1986 British consultants in the private and public sectors provided nearly 10 per cent of the consultancy services utilised by the World Bank. Almost 700 consultancy firms were registered with the ODA as eligible to undertake aid-funded work, selected on the basis of their expertise and experience. In 1986, 184 new contracts were agreed to by the ODA, worth £29 million, as well as 475 extensions or amendments to existing contracts involving a further £11·5 million. The largest category of new contracts covered community, social and personal services (£6·8 million), transport, storage and communications (£6·1 million) and renewable natural resources (£5·6 million). New commitments included a power consultancy in India, a contract for twinning arrangements between British Gas and its Indonesian counterpart, and two rural development projects in Zambia.

Training

Training to help recipient countries develop their own skilled manpower has always been a priority for Britain's aid programme. The three major channels of support for this aim are the Technical Co-operation Training Programme (TCTP), the Commonwealth Scholarship and Fellowship Plan (CSFP) and the ODA Shared Scholarship Scheme. The TCTP is an integral part of the aid programme in an overseas country and priority is given to awards related to British aid projects. Although most training occurs in Britain, some can be pursued in the developing country if it is more appropriate and if the objective is to build up or sustain local institutions. Around 11,000 training awards (about half being new) are held in any one year. In 1986 the cost of the TCTP was £52 million. The CSFP is a Commonwealth scheme to assist Commonwealth students and academics to study in other Commonwealth countries; the ODA financed over 750 awards for students from developing countries in 1986 at a cost of £6 million.

Under its new Shared Scholarship Scheme, in co-operation with certain British institutions of higher education, the ODA made 138 awards in 1986 for outstanding students from developing Commonwealth countries who are unable to pay to come to Britain to study and who do not qualify for awards under any other British government support scheme. In the four years from 1987 to 1990, a further 150 awards each year are being offered.

Assistance was also given for overseas students to study in Britain under British Council award schemes (see p 233), the World University Service and the Commonwealth Fund for Technical Co-operation (see p 260).

[1]For further information see COI reference paper *British Emergency Relief Aid*, No 195/86.

Joint Funding Scheme

In the Joint Funding Scheme (JFS), 50 per cent of the costs of specifically agreed long-term development projects being mounted by British voluntary agencies are met by the ODA, and in 1986, £5·4 million was available for this scheme. The rise in JFS allocation since 1984 was such that the ODA could not only increase its grants to the four major voluntary agencies – Oxfam, Christian Aid, the Save the Children Fund and the Catholic Fund for Overseas Development – but also make available more money for projects put forward by smaller agencies. During 1986 the ODA co-financed more than 700 new projects with over 40 voluntary agencies, including a mother-and-child health care project in Nepal, rehabilitation and vocational training for handicapped children in India, and an expanded programme of immunisation in Uganda. Other examples were a leprosy control programme in Bangladesh, a survey of deafness in Botswana and a rehabilitation training project for blind people in India.

Volunteer-sending Agencies

In 1986-87 the ODA granted £7·7 million to the volunteer-sending agencies – Voluntary Service Overseas, the Catholic Institute for International Relations, International Voluntary Service and the United Nations Association International Service – which had 1,258 volunteers in more than 60 developing countries at the end of the year. These agencies, which depend on the ODA for up to 90 per cent of their income, provide developing countries with well-qualified volunteers in such fields as water engineering, agronomy, motor mechanics, carpentry and medicine.

MULTILATERAL AID

Most of Britain's multilateral aid is given through the European Community and the World Bank. Other channels for this aid are the United Nations agencies, Commonwealth programmes, and development banks.

European Community

Contributions to European Community aid programmes were the largest single element in Britain's multilateral aid programme, accounting for £223 million (44 per cent) out of a total of £511 million. This included contributions to the European Development Fund (EDF; £79 million) and to the Community's food aid programme (£59 million). Demands on the latter for emergency food aid were reduced during 1986 because of better harvests in Africa, although certain countries, particularly Ethiopia and Mozambique, needed over 220,000 tonnes of cereals as well as large quantities of other products from the Community. The surpluses in some African countries enabled it to undertake 'triangular transactions', buying from countries in surplus to meet food needs elsewhere. More use was also made of the provision agreed in 1983 under which financial assistance for improving local food production can be provided from the food aid programme in place of food aid. As a member of the Community, Britain has a bilateral food aid obligation and in 1986 provided 31,200 tonnes (including maize from Kenya) to Ethiopia and 14,500 tonnes of maize (from Zimbabwe) to Mozambique; it also sent 22,600 tonnes of wheatflour to Sudan for sale so that the

proceeds could be used by the United Nations High Commissioner for Refugees to support refugee programmes in that country; Britain is providing a further 26,000 tonnes for this purpose in 1987.

The aid and trade relationship between the 66 African, Caribbean and Pacific (ACP) countries and the European Community is governed by the 1985 third Lomé Convention which came into force in May 1986. That agreement provides aid worth over £5,000 million through the sixth European Development Fund, in which Britain's contribution is £800 million, spread over a number of years. More than £750 million of further aid is also being provided through subsidised loans from the European Investment Bank (EIB). By the end of 1986, 64 ACP countries had signed with the European Community indicative programmes which set out undertakings by the recipient countries on the policies and measures they mean to take to help ensure successful development. Most African countries have chosen to concentrate EDF aid on agriculture and rural development, and have undertaken to follow policies aimed at improving production incentives to their farmers. During 1986, the European Community committed about £540 million to 124 EDF-financed projects, and the EIB about £120 million to investment in 18 projects. Other EDF commitments in 1986 included about £105 million as balance of payments support under the STABEX scheme[1] to 16 countries which had suffered from falls in export earnings from primary products; £22 million for emergency and refugee aid; and £70 million to complete a programme to rehabilitate those African countries most severely affected by famine in 1985.

Of other European Community aid, £137 million went in project aid in Asia and Latin America (India, Pakistan and Indonesia being the major beneficiaries); £72 million in projects to Algeria, Morocco, Tunisia, Egypt, Syria, Lebanon and Jordan; and £23 million to support development work by European non-governmental organisations. In addition, the Community started a new aid programme for the victims of apartheid in South Africa, which is co-ordinated with the bilateral programmes of the member states.

World Bank Group

Britain is also a member country of the World Bank Group, which has a crucial role in helping developing countries. In 1986, it committed £133·8 million to the World Bank's soft-loan affiliate, IDA, the second of three equal annual instalments to the $9,000 million Seventh Replenishment, while it helped achieve an agreement on an Eighth Replenishment of $12,400 million, in which the British contribution is to be almost £525 million, paid over three years from 1988. The year ended 30 June 1986 was also the first year of operation for the IDA's $1,300 million Special Facility for Africa (SFA), set up to provide additional credits in support of adjustment policies being undertaken by member governments in the sub-Saharan region. Commitments from the SFA during the period were $580 million. Britain is not contributing directly to the SFA, but has pledged £75 million towards it in the form of untied special joint funding, which is then managed by the IDA. In addition, in April 1987 Britain was the third developed country to sign a convention establishing the Multilateral Investment Guarantee Agency, which is designed to promote direct private investment in developing countries. The convention will come into operation when it has been ratified by at least five developed and 15 developing countries with total subscriptions equal to at least one-third of authorised capital. Britain also has shares in the International Finance Corporation, which lends money to help promote private investment in developing countries.

[1]The STABEX scheme provides ACP countries with a guarantee against excessive fluctuations in export earnings in a number of agricultural commodities.

Regional Development Banks and Funds

Britain continued to subscribe to the capital of the regional development banks in Africa, Asia, the Caribbean and Latin America. The banks raise money on the world's financial markets in order to lend to more creditworthy developing countries at near commercial rates of interest, while their associated funds, to which Britain contributes during periodic replenishments, make loans to the poorer developing countries on concessional terms. Britain's contributions were nearly £36 million in 1986.

United Nations Agencies

Britain gave £22 million to United Nations relief agencies (including £6·7 million to the Children's Fund, £5 million to the Relief and Works Agency, and £3·5 million to the High Commissioner for Refugees) and £21 million to the United Nations Development Programme. In addition, it agreed new commitments of more than £16 million to the International Fund for Agricultural Development (such as a contribution towards a special programme for 24 sub-Saharan countries), which is registered as a United Nations specialised agency but functions as an international financial institution making loans and grants. Britain also supports other United Nations bodies, including the new Industrial Development Organisation which in its first year continued its programmes of increasing the development, expansion and modernisation of industries; among its long-term activities are programmes for economic and technical co-operation, assistance to the least developed countries and the integration of women in development.

The Commonwealth

Britain gave the Commonwealth Fund for Technical Co-operation £7·75 million in 1986, around 30 per cent of the Fund's income. Most of the activities of the Fund, established in 1971 to provide technical co-operation for economic and social development in Commonwealth developing countries, take place under the General Technical Assistance Programme through which expertise is provided to undertake advisory assignments, consultancies and feasibility studies. Students from developing countries are supported by the Fund's Fellowship and Training Programme, while the Fund's Industrial Development Unit helps member states to build up industry, special emphasis being placed on assisting least-developed countries and small island states. Advice on marketing and food production is also given. In addition, Britain supported the Commonwealth Youth Programme and the Commonwealth Science Council.

RESEARCH AND DEVELOPMENT

ODA-funded research and development (R&D) in science and technology aid provides new knowledge

and techniques to assist economic and social progress in developing countries. Priority in this field, which covers both bilateral and multilateral aid, is given to projects designed to produce results within three years, and benefit the poor countries, in particular their rural areas. In 1986, £20 million was spent on R&D, with 125 new projects being started at the ODA's Tropical Development and Research Institute (TDRI),[1] universities and other institutions in Britain and overseas. Current examples involving ODA-funded research are advances in rice regeneration and production; the discovery of the reasons for a disease causing large losses of groundnut crops in Africa; and biological control of worms which cause major losses of yield among tropical crops.

The Land Resources Development Centre (LRDC), staffed by about 35 scientists, continued its multidisciplinary projects in Kenya (social forestry amongst small farmers), Tanzania (training programmes for local-use planning teams) and Indonesia (maps for geologists, engineers, and wildlife conservationists, as well as foresters and agriculturists). The nature, potential and present use of natural resources in southern Belize were surveyed for agricultural planning purposes, while the LRDC also supervised surveys aimed at protecting the Korup forest reserve in Cameroon. The TDRI helped to solve problems of crop damage and the spread of disease caused by pests, and to improve the handling, processing, preservation, transportation, storage and marketing of plant and animal products. The Institute, which has about 340 scientists, technologists, engineers and economists – who normally work in multi-disciplinary teams – also gave training in these areas. Current examples of its work include the collaboration in India with another ODA-supported international research organisation on the development of strategies for the control of the pod borer, a serious migratory pest affecting more than 60 crops in India and Africa; the collaboration with the Kenya Industrial Research and Development Institute in the development and industrialisation of food products from sorghum, mainly a subsistence crop but able to grow well in semi-arid zones where maize and other grains are vulnerable to drought. Further TDRI projects included the development of integrated pest management systems for the control of such major crop pests as the African armyworm and the brown planthopper, the development of control procedure for tsetse fly, and the reduction of the aflatoxin content of maize in Thailand by improved post-harvest procedures.

The ODA provides financial support to about 30 establishments in Britain which give special scientific and technical help to poor countries. In 1986, one of the organisations, the Overseas Division of the Agricultural and Food Research Council's Institute of Engineering Research, received £275,000 from the ODA for its work in giving professional advice and technical assistance on agricultural mechanisation, irrigation, drainage, tilling and soil conservation. Among current projects are assistance for land drainage in Pakistan, tillage experiments in Sudan, and the design and prototype manufacture of a cereal harvester for use in Asia in the first instance.

[1]As from September 1987, the TDRI and the ODA's other scientific unit, the Land Resources Development Centre, are being integrated to form the Overseas Development Natural Resources Institute, with the mandate to promote the sustainable development of the natural resources sector in developing countries.

The Oxford Forestry Institute, which is part of Oxford University's School of Plant Sciences, is another body which receives ODA finance (£150,000 in 1986-87). The Institute organises courses, carries out research (including some for the ODA) and provides service facilities for developing countries; it also specialises in forestry gene resources, wood properties, development of fast-growing species, and the natural regeneration and management of tropical high forest. Other research in Britain commissioned by the ODA included the crossing of different species of maize and wheat so that useful characteristics from wild varieties could be transferred to the cultivated species; and the geographical variability of diseases affecting beans in order to ensure that new varieties are resistant. In 1986, Britain increased its support (nearly £6 million) for the Consultative Group on International Agricultural Research, which also concentrates on food production and studies into genetic variations, together with the development of farming techniques to maximise production.

During 1986, £11 million of research was financed from individual country aid programmes. In Zanzibar and Indonesia, advances have been made in research on various diseases affecting cloves, in both treatment and control, while a programme involving the partnership of Indian and British agricultural research institutes is in progress, covering crop, animal and soil science, and post-harvest technology and agricultural engineering.

COUNTRY PROGRAMMES

The following section gives examples of the wide variety of projects assisted by Britain, and of other British aid to the main recipient countries in Africa and Asia which together accounted for more than four-fifths of aid allocable by region.

Africa

In 1986 a modest rate of recovery and growth continued in much of sub-Saharan Africa. Good cereal harvests in some countries did not entirely dispel famine and acute deprivation in others (in Sudan, Ethiopia, Botswana, Angola and Mozambique, for example), while locusts and grasshoppers threatened agricultural production in the Horn of Africa, the Sahel and southern Africa. Also the international debts of countries in sub-Saharan Africa reached nearly $100,000 million, with debt service payments in 1986 being approximately 30 per cent of the value of exports of goods and services. However, structural adjustment reforms, already making progress in the region in 1986, were further helped by the United Nations Special Session on sub-Saharan Africa, where a programme of action for economic reforms in African countries was agreed to (see p 187, 1986).

Britain's aid programme to Kenya in 1986 of some £34 million covered agriculture, energy, health, education and transport and communications. In the energy sector, £12·3 million has been provided for the supply and installation of British equipment for the Kiambere dam and hydro-electric station on the Tana river, adding 140 megawatts capacity to the national power system. A package of aid has been provided in agriculture, including tractors and management consultancy, as well as support for research into farming

methods, forestry and livestock development to conserve and develop the semi-arid lands of the Embu, Meru and Isiolo districts. At Isiolo, also, a hospital is being built and equipped to back up health centres in the area, some of which had been provided by Britain.

Bilateral aid to Zambia was over £35 million in 1986, programme aid (nearly £13 million) being the main support. However, because of Zambia's difficulties with debt payments and with adhering to structural adjustment programmes agreed with the IMF, Britain announced in 1986 that it would provide £30 million for disbursement in 1987, subject to the IMF programme being reinstated and maintained and to other donors finding sufficient money to fill the balance of payments gap. Zambia also remained the largest single recipient of British manpower, with 19 fully funded experts and 320 other British personnel holding key posts in the public service and parastatal bodies, at a cost of £7 million. A programme of about 250 awards was provided for the training of Zambians, mainly in Britain, largely in the education, engineering, agriculture and health sectors.

As well as nearly £10 million as disaster relief and food aid, British aid to Sudan in 1986 (some £26 million) also included a large programme of longer-term assistance for agricultural rehabilitation and development. Two new projects started involve the rehabilitation of irrigation schemes along the Nile north of Khartoum and of deep boreholes in western Sudan. Assistance was provided in the operation of the Khartoum North power station, which has been built with over £52 million of British aid, while rehabilitation of an older station at Burri continued. A total of 150 Sudanese students came to Britain for training.

To support reforms in Tanzania agreed with the IMF, Britain offered £25 million in additional aid to help ease the shortage of foreign exchange and to open up some of the bottlenecks in the country's economy. Project aid included the rehabilitation of the Mbeya regional hospital and the construction of rural health centres, and nursing training at the Mnazi Mmoja hospital in Zanzibar, provided by London's Charing Cross Hospital School of Nursing. In education, an English-language teaching programme was started in 1986 to help with curriculum development and teacher training for secondary schools. Assistance to agriculture and natural resources continued with projects on land planning, pest control and rural development in the south of the country.

The emphasis in Britain's increased aid to Mozambique has been on maintaining, repairing and rehabilitating productive capacity and infrastructure, mainly through programme aid, which has risen from £362,000 in 1984 to nearly £2·9 million in 1986. A programme aid grant of £5 million for spares, raw materials and equipment was signed and this will be allocated to eight industries producing consumer goods for rural areas with the aim of maintaining or increasing production in agriculture and industry. Early in 1987 an additional £5 million was offered for infrastructure and agricultural projects, including the rehabilitation of the Emopesca prawn fishing fleet and the Angoche jetty, road maintenance, airport navigational aids and cotton spraying. To help over 1 million people displaced because of drought and fighting, Britain provided 14,500 tonnes of maize, brought from Zimbabwe at a cost of £3 million; a further 7,000 tonnes (costing £1·5 million) is to be provided from the same source.

Britain has supported the Southern African Development Co-ordination Conference (SADCC) from its foundation, pledging £35 million for its activities (£20 million being announced in 1986 and 1987 – see p 91). Most of Britain's assistance to the SADCC, which co-ordinates plans and projects aimed at reducing its members' economic dependence on South Africa and at increasing intra-regional trade,[1] is for projects to rehabilitate the railway routes (the Limpopo, Beira and Nacala lines) across Mozambique, since six of SADCC's members are landlocked.

Asia

Britain's largest bilateral aid programme – £143 million – is to India, with power and coal sectors receiving a major share. The building of power stations at Rihand and Bharat neared completion, while rehabilitation of the power distribution network in Kanpur began. To help India meet its greatly increased coal production targets up to the end of the century, a £31 million grant was agreed, primarily for the further development of mechanised longwall mining technology. Other assistance approved in 1986 included over £73 million for the development of a lead and zinc mine and for an associated smelting complex in Rajasthan province. A second five-year phase of the Indo-British Fertiliser Education Project was also approved at a cost of £23·4 million with the aim of helping some 200,000 small and marginal farmers in eastern India to increase food production. Support continued for community health and child welfare programmes in Orissa and Gujarat, and for social forestry in Karnataka. A primary schools pilot project in Andhra Pradesh, which is improving teaching methods and school design, made progress while preliminary support for the establishment of the Indira Gandhi National Open University led to proposals for a much larger project from 1987.

The aid programme to Bangladesh in 1986 (over £38 million) concentrated on support for agricultural and energy development. Major energy projects included electricity generation, transmission and distribution, and the exploration and development of gas reserves. Priority was also given to projects which would help the country's poorer people, mainly health and renewable natural resources. Some £750,000 was provided under a new scheme to support British non-governmental organisation projects specifically aimed at helping more vulnerable groups including the landless.

Much of British aid to Pakistan (£21 million in 1986) has been directed towards agricultural and water management to help the decline in agricultural yields over large areas caused by waterlogging and salinity. Britain is contributing £27 million to a project which will improve drainage in a vast area of Sind province; this includes a programme of wells which extract saline and fresh water simultaneously but separately, and thus supply more water for irrigation. Other agriculture and water management projects worth a total of £40 million continued. Health and education assistance to Pakistan's least-developed provinces, Baluchistan and North West Frontier, included the

[1]The organisation's members are Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe.

continuation of a hospital equipment project, a population welfare project and distance learning through the Allama Iqbal Open University. A contribution of £3·4 million is also being made to the United Nations Fund for Drug Abuse Control in its project designed to encourage farmers in the North West Frontier province to move out of opium poppy cultivation.

A total of £9 million of bilateral aid is being provided over the next five years for community forestry, agriculture and livestock development and for road improvements in the eastern region of Nepal. Britain is giving £7·7 million towards a British-World Bank scheme to upgrade a section of the main road between Nepal and India. An agreement was reached in December 1986 under which for the third year in succession Britain will provide £1 million towards the cost of insecticides as part of Nepal's malaria eradication programme.

In Sri Lanka, which received over £15 million of British aid, a major project co-financed with the World Bank to improve electricity in the country's capital, Colombo, was also approved in 1986, the British contribution being some £8·8 million. A grant of £16·7 million from the ATP and a loan from the CDC is to be the British part of a joint project with Japan to finance and build a 120-megawatt hydro-electric power station at Samanalawewa. Technical co-operation continued to include the largest Key English Language Teaching team in any Asian country. Activities with non-governmental organisations also increased; the Save the Children Fund was given a grant of £1 million to continue its relief and resettlement work among victims of racial unrest, while preparations were made to support the work of an indigenous organisation dedicated to improving the quality of village life throughout Sri Lanka.

ECONOMIC AND SCIENTIFIC AFFAIRS

Wealth Creation and the Economy

A rebirth of the enterprise culture to foster the creation of wealth was called for by the Secretary of State for Trade and Industry, Lord Young, in a speech on 28 July. Although economic decisions were best taken by individual agents reacting to market forces, the Government still had a role to play – in reversing policies that prevented wealth creation and in enabling markets to bring about wealth creation.

Introduction

Lord Young, who was addressing the Oxford Summer Business School, said that the economic strategy introduced by the Government had three main features. First, it was not concerned solely with economic policies but embraced policies which, although not primarily economic, had profound effects on Britain's economy. These included policies on education, training, trade union reform and wider ownership of assets. Secondly, it regarded enterprise and wealth creation as fundamental. The Secretary of State believed that 'the rebirth of the enterprise culture will be a much more durable change in our economic life than changes in the traditional instruments of macroeconomic policy'. Thirdly, the Government's economic strategy had been consistent. The two central aims had been the control of inflation through monetary and fiscal policies and the encouragement of enterprise.

Macroeconomic Policy

The objective of macroeconomic policy had been to reduce inflation and create the climate for sustainable growth. The two essential elements of the policy were firm control of monetary conditions and a reduction in public borrowing.

The aim of monetary policy was to exert downward pressure on the rate of growth of money gross domestic product (GDP) and hence on the rate of inflation. The Government had succeeded in controlling public borrowing, bringing it down from over 5 per cent of GDP in 1979 (it was well over 9 per cent in the mid-1970s) to a little under 1 per cent in 1986-87. The Government had now set itself the target of keeping the figure at around 1 per cent over the medium term (see pp 130-1).

The different strands of policy were interdependent. For example, control of public borrowing was a prerequisite for a reduction in the burden of taxation – an important element in the Government's microeconomic policy. Also, an open trade policy encouraged economic efficiency by providing competition to domestic producers, leading to restraint on prices.

Microeconomic Policy

Microeconomic policy – or supply-side economics – was the key to long-lasting changes in the economy. Its central aim was the encouragement of wealth creation by the stimulation of individual initiative and enterprise. This was essentially a market philosophy which recognised that economic decisions were best taken by a number of individual agents reacting to each other on the basis of prices and market movements. 'Economic decisions are also best taken by those who have a direct personal interest at stake so that along with personal initiative goes personal responsibility,' the Secretary of State declared.

This did not rule out a role for the Government. Its role was to encourage the process of wealth creation without distorting it. There were two major ways of doing this: to reverse government policies which had prevented wealth creation and to enable markets to generate wealth creation.

Government Policies and Wealth Creation

Lord Young identified policies on taxation, state ownership, regulation and education as areas in which governments had hindered the process of wealth creation.

Taxation

High taxation had weakened enterprise and wealth creation. The Government had, however, substantially reduced the rate of income tax (see pp 197, 1979; 126, 1986; and 134) and simplified business taxation. But altering the structure of taxation was important as well as reducing the burden. An unnecessarily complicated tax system distorted business decisions by encouraging firms to spend their time on tax reduction activities and by allowing their decisions to be swayed by the tax regime. A leading example was the influence of tax considerations on the relative prices of labour and capital. Britain had for many years had a tax system that subsidised investment in capital goods and taxed the employment of labour. The ending of first-year allowances on capital equipment and the abolition of the National Insurance surcharge in 1984 (see pp 121-2, 1984) had gone a long way towards removing the distortion.

The interaction of the tax and social security systems had introduced a distortion into individuals' decision-making in the form of the unemployment and poverty traps since 1945. There had been a sharp increase in income tax and National Insurance contributions as a proportion of gross earnings, but a fall in the income tax threshold as a proportion of supplementary benefit.

Accordingly, the unemployment trap had reduced the incentive to accept a low-paid job, while the poverty trap had lowered the incentive for those in employment to do better through training or taking on increased responsibilities.

The objective had to be a less complicated structure of taxation, with fewer distortions, and one capable of restoring the process of wealth creation.

State Ownership

State ownership had been a major barrier to wealth creation, with industrial decisions being taken without reference to the efficiency or success of industries. Since 1979 more than one-third of the state sector of industry had been privatised. The privatised companies had flourished as a result of their new responsibility and freedom (see pp 155-6, 1986).

Where possible, the Government would continue to privatise. Industries that had not been privatised would be encouraged to act as they would in the private sector and to become as efficient as the market demanded. 'It is a mistake to run industries as social services,' Lord Young warned. 'In the end that sort of policy does no one any good because the inefficiency it breeds loses jobs rather than creates them, and loses wealth rather than creates it.'

Regulation

Governments had also limited the process of wealth creation by imposing regulations in a wide variety of fields. Regulations were often justified for reasons such as consumer protection, health or safety but sometimes they were bureaucratic or outdated. Unnecessary regulations took up the time of people in business and so limited the time they could devote to wealth creation.

The Secretary of State pointed out that the Enterprise and Deregulation Unit had moved with him from the Department of Employment to the Department of Trade and Industry. The reduction in bureaucracy (see pp 272-3, 1985, and 194-5, 1986) would continue to be a major feature of the Government's supply-side policies.

Education

Lord Young went on to identify education and training as the key area in which the effect of government policies had been to hold back enterprise. There had been an emphasis in the past on academic achievement at the expense of technical and practical skills, an elevation of the arts over science (particularly applied science) and a divorce of education from commerce. He believed that attitudes to industry and enterprise were as fundamental as the competitive structure of industries. It was important to motivate school pupils and increase the exposure to enterprise of students in higher education. He expressed the hope that industry would play its part in establishing links with schools and universities (see pp 73-5, 1986).

Markets and Wealth Creation

Government intervention could make markets that were not effective or efficient more competitive and capable of generating more activity. The Government's competition policy sought to prevent companies from abusing dominant market positions or making anti-competitive agreements. This was the aim of bodies such as the Monopolies and Mergers Commission and the Office of Fair Trading. But the Government could also take direct action to inject competition into particular markets. The benefits of greater competition had been seen in a number of sectors: for example, British Telecom was now facing competition from Mercury (see p 86, 1982) and there was competition within the field of cellular radio (see p 54, 1985).

The City of London was an example of a market which deregulation had spurred into greater competition and growth. It was also one where proper regulation was necessary to assure investors that they were operating in an efficient market with open information. 'The balance of advantage between regulation and deregulation is always a fine one. I am determined that we should not over regulate, for too much regulation would prevent London being a growing international market. But people who want to do business in London must be confident of the health of the market, and we are determined to protect that,' the Secretary of State said.

Inward Investment

One indication of the change in Britain's economic fortunes was the growth of inward investment: 41 per cent of United States investment in Europe was in Britain, which also attracted more Japanese investment than any other European country. Open trade was reinforcing the improved supply side of the economy as inward investment helped managers and employees to learn about different management and production methods. Inward investment helped both growth and the process of wealth creation.

Conclusion

The way to tackle problems such as inadequate investment in innovation or training was not by means of government funding nor by laying down rules for companies to follow. Instead, what was needed was investment in people – through education and training, through incentives for wealth generation and through the availability of advice and information. 'To achieve our goal of encouraging wealth creation we need to invest in the skills of our people and in their enterprise. If they use those skills and training with determination then they will create the wealth which is the essence of our strategy.'

Overseas Direct Investment by Companies

Net direct investment overseas by British companies was over £8,800 million in 1985 – almost one-and-a-half times the 1984 level. The increase was largely the result of a change in practices between British parent companies and their overseas affiliates. The bulk of overseas investment continued to be in the developed countries with the United States and western Europe each receiving well over one-third of the total. Net direct investment in

Table 1

Net Overseas Direct Investment, Earnings and Outgoings

£ million

	1981	1982	1983	1984	1985	1986*
Outward direct investment overseas						
Investment						
Non-oil companies	4,671	2,122	3,460	3,657	7,060	10,020
Oil companies	1,422†	1,987†	1,942†	2,272	1,935	839
Total excluding miscellaneous transactions	*na*	*na*	*na*	5,928	8,994	10,859
Miscellaneous transactions	*na*	*na*	*na*	164	−166	36
Total	6,093	4,109	5,402	6,092	8,828	10,895
Earnings						
Non-oil companies	3,546	2,971	4,012	4,895	5,516	6,069
Oil companies	1,884†	1,853†	2,210†	2,829	2,462	1,203
Total excluding miscellaneous transactions	*na*	*na*	*na*	7,725	7,978	7,272
Miscellaneous transactions	*na*	*na*	*na*	113	123	112
Total	5,430	4,824	6,222	7,837	8,101	7,384
Inward direct investment in Britain						
Investment						
Non-oil companies	980	1,137	2,063	2,021	2,152	3,617
Oil companies	1,882	1,770	1,238	−2,267	2,179	1,518
Total excluding miscellaneous transactions	2,862	2,907	3,301	−246	4,331	5,135
Miscellaneous transactions	70	120	85	65	90	140
Total	2,932	3,027	3,386	−181	4,421	5,275
Outgoings						
Non-oil companies	1,961	2,081	2,308	2,965	3,402	3,233
Oil companies	2,734	2,578	2,950	3,306	3,997	2,044
Total excluding miscellaneous transactions	4,695	4,659	5,258	6,271	7,399	5,277
Miscellaneous transactions	7	8	8	8	8	8
Total	4,702	4,667	5,266	6,278	7,407	5,285
Earnings less outgoings	728	157	956	1,559	694	2,099

*Provisional. *na* = not available

†Including miscellaneous transactions.

Britain by overseas companies also rose substantially, having been negative in 1984. Earnings from outward investment exceeded outgoings from inward investment by £700 million in 1985.

Provisional figures for 1986 (see Table 1) suggest that both outward and inward net direct investment[1] rose by around one-fifth above their 1985 levels. However, earnings on outward investment and outgoings on inward investment both fell. Earnings exceeded outgoings in 1986 by some £2,100 million. These findings are from the annual inquiry conducted by the Department of Trade and Industry, the main results of which were published in the 3 July issue of *British Business*. As data for 1986 are only provisional, the article deals with the more detailed analysis for 1985.

[1]Direct investment overseas consists of long- and short-term funds given by an investor in one country to overseas affiliates (subsidiaries, associates and branches) in the form of share capital, loans, trade credit and retained profits. It is measured net, after deducting loans made by the affiliates to their direct investors. As this article is concerned only with net direct investment, the words 'net direct' are omitted from the text from now on.

Trends in Investment

Annual fluctuations in the flow of overseas investment are affected by changes in the rate of inflation and in exchange rates as well as by corporate decisions. As investment is made up of transactions in financial

Table 2

Net British Direct Investment Overseas Analysed by Area*

£ million

	1981	1982	1983	1984	1985
Western Europe	**195·4**	**−5·2**	**−30·5**	**−86·5**	**3,207·5**
European Community	223·1	−95·6	−94·7	−211·6	2,819·8
Belgium and Luxembourg	−15·3	−4·9	71·9	109·2	295·3
Denmark	1·8	3·4	8·3	27·7	14·9
France	129·7	44·8	63·4	191·3	247·8
Federal Republic of Germany	194·1	47·2	36·9	11·1	289·8
Greece	−5·2	6·3	0·1	12·0	−6·6
Irish Republic	75·9	33·9	7·1	80·3	244·7
Italy	76·7	22·9	30·1	153·0	120·1
Netherlands	−324·2	−320·7	−412·1	−875·5	1,340·3
Portugal	19·7	11·4	24·8	26·4	159·7
Spain	59·5	60·3	74·7	52·9	113·9
European Free Trade Association	−32·0	79·0	59·0	118·4	398·5
Austria	3·9	—	0·5	26·0	8·7
Finland	4·2	−2·7	2·5	5·2	3·4
Iceland	—	*na*	*na*	*na*	*na*
Norway	11·7	*na*	*na*	*na*	*na*
Sweden	5·3	−2·7	19·9	15·8	101·6
Switzerland	−57·2	89·0	34·3	−25·6	69·6
Other Western Europe	4·3	11·4	5·2	6·7	−10·8
North America	**2,733·1**	**1,572·7**	**1,789·1**	**3,345·3**	**3,485·9**
Canada	255·7	158·7	312·8	577·9	298·8
United States	2,477·4	1,414·0	1,476·3	2,767·3	3,187·1
Other developed countries	**711·6**	**505·8**	**696·8**	**828·9**	**858·2**
Australia	362·9	289·2	285·2	512·3	435·1
Japan	17·2	13·7	75·5	134·5	47·4
New Zealand	39·9	8·5	40·1	61·9	152·6
South Africa	291·6	194·4	296·0	120·3	223·0
Rest of the world	**1,031·0**	**48·5**	**1,004·7**	**1,840·8**	**1,442·5**
Africa	267·9	199·8	65·1	−227·3	95·4
Middle East	8·3	2·1	−29·1	−7·9	−106·7
Other Asia	440·4	−331·3	482·9	529·2	125·3
Caribbean, Central and South America	301·9	216·1	478·5	1,500·9	1,335·2
Other	12·4	−38·3	7·2	46·0	−6·7
World	**4,671·1**	**2,121·8**	**3,480·1**	**5,928·5**	**8,994·2**
Commonwealth	1,389·8	337·6	1,516·5	2,444·4	1,174·9
Developing countries	1,030·9	48·5	1,004·8	1,841·3	1,442·1
Oil-exporting countries†	128·9	119·5	5·9	−139·1	−157·5

*Excluding miscellaneous transactions and, for 1981-83, oil companies.

na = not available.

†Algeria, Ecuador, Gabon, Gulf States, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Trinidad and Tobago, and Venezuela.

assets, for which there are no suitable price indices, estimates of volume trends cannot be made. Nevertheless, a rough indication of underlying trends can be obtained by comparing investment flows with gross domestic product (GDP).

Outward investment was just over 1 per cent of GDP (at current market prices) during most of the 1960s. The percentage then grew rapidly, to a peak of some 2·75 per cent in 1973, possibly reflecting corporate activity in anticipation of British membership of the European Community from the start of that year. During the recession brought on by the first round of oil price increases in 1973-74 (see p 17, 1974), outward investment fell in relation to GDP but then rose unevenly, to reach another peak in 1979. The high levels around this time were the result of outflows made in the expectation of better prospects abroad at a time when only a low rate of return on investment was available in Britain. The figure declined in the early 1980s but has since increased, to a little under 3 per cent.

Inward investment as a percentage of GDP rose slowly in the 1960s. In the 1970s the figure behaved erratically: increasing North Sea oil and gas exploration and the prospect of British membership of the Community contributed to a rise, but recession in 1975 and in 1980-81 exerted a downward influence. There has been a modest increase in the 1980s – apart from in 1984, when there was a sharp fall – to reach almost 1·5 per cent.

Table 3

Net Earnings from British Direct Investment Overseas Analysed by Area*

£ million

	1981	1982	1983	1984	1985
Western Europe	**531·3**	**381·6**	**709·0**	**1,563·9**	**2,090·9**
European Community	396·4	243·0	482·2	1,140·0	1,604·3
Belgium and Luxembourg	34·9	28·3	40·3	45·1	104·7
Denmark	11·3	3·9	14·8	58·5	52·2
France	61·3	43·4	22·6	12·4	61·5
Federal Republic of Germany	73·2	86·3	171·9	31·0	331·5
Greece	2·5	5·2	9·2	10·7	6·1
Irish Republic	107·3	94·0	56·5	68·4	158·4
Italy	34·2	35·8	47·3	68·7	89·5
Netherlands	17·3	−123·3	38·4	753·5	691·9
Portugal	17·3	16·8	19·5	33·3	34·2
Spain	37·0	52·5	61·7	58·5	74·2
European Free Trade Association	117·5	118·5	195·5	382·4	459·3
Austria	11·1	4·7	14·9	19·3	22·7
Finland	5·3	3·7	3·5	2·9	7·7
Iceland	—	0·1	*na*	*na*	*na*
Norway	5·9	2·5	*na*	*na*	*na*
Sweden	13·4	12·7	18·7	77·9	53·6
Switzerland	81·9	94·9	153·6	168·6	175·7
Other Western Europe	17·4	20·1	31·3	41·5	27·3
North America	**1,023·5**	**713·9**	**1,150·7**	**2,536·9**	**2,375·5**
Canada	191·9	163·9	346·4	387·6	293·3
United States	831·6	550·0	804·3	2,149·3	2,082·3
Other developed countries	**839·3**	**730·7**	**882·1**	**1,133·5**	**1,220·8**
Australia	318·1	253·6	271·4	565·5	529·5
Japan	18·0	21·9	29·8	58·1	158·1
New Zealand	38·4	44·1	53·7	117·0	146·6
South Africa	464·8	411·0	527·2	393·0	386·5
Rest of the world	**1,151·5**	**1,145·0**	**1,270·4**	**2,490·3**	**2,290·6**
Africa	267·7	261·8	306·5	417·9	396·4
Middle East	76·6	103·0	137·9	235·8	207·7
Other Asia	405·6	404·0	405·5	755·3	643·1
Caribbean, Central and South America	372·9	331·6	416·4	1,061·3	1,042·8
Other	28·7	44·6	4·1	20·0	0·6
World	**3,545·7**	**2,971·1**	**4,012·2**	**7,724·6**	**7,977·8**
Commonwealth	1,266·9	1,156·0	1,491·1	2,884·2	2,528·0
Developing countries	1,151·5	1,145·0	1,270·4	2,490·3	2,290·5
Oil-exporting countries†	197·9	212·8	251·1	467·8	429·2

*Excluding miscellaneous transactions and, for 1981-83, oil companies.

na = not available.

†Algeria, Ecuador, Gabon, Gulf States, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, Trinidad and Tobago, and Venezuela.

Outward Investment

Outward investment of £8,828 million in 1985 (see Table 1) was 45 per cent higher than in 1984. While investment by oil companies fell by 15 per cent, that of non-oil companies (industrial and commercial companies, insurance companies and banks) almost doubled.

A large part of the rise for non-oil companies was due to a significant change in the amounts owing between British companies and their overseas affiliates. In the years leading up to 1985 there had been net inflows on inter-company accounts as a result of the practice of 'upstreaming', whereby British banks issued loan stock through overseas affiliates which then lent the proceeds back to the British parent company. The practice appeared to tail off in 1985, with some of these loans being repaid.

Part of the increase in outward investment in 1985 was also attributable to net acquisitions of the share and loan capital of overseas companies.

Unremitted profits of subsidiaries – that is, net profits less dividends paid to the British parent company – were slightly higher than in 1984 and accounted for around 55 per cent of total outward investment.

Thirty-three per cent of the 1985 total was in manufacturing and 84 per cent was in developed countries (see Table 2).[1] British investment in developing countries was lower in 1985 than in 1984. With 35 per

[1]As miscellaneous transactions are excluded from Tables 2-5, references to data from these tables also exclude these transactions.

Table 4

Net Overseas Direct Investment in Britain Analysed by Area*

£ million

	1981	1982	1983	1984	1985
Western Europe	**357·0**	**389·1**	**671·3**	**−1,779·9**	**1,733·0**
European Community	12·1	170·7	433·8	−2,073·2	1,313·3
Belgium and Luxembourg	−170·2	13·1	114·3	132·0	81·3
Denmark	23·7	27·5	12·4	33·9	6·6
France	14·7	20·6	72·3	319·2	225·6
Federal Republic of Germany	157·1	58·2	66·1	−218·5	44·4
Greece	−0·7	0·1	0·1	*na*	*na*
Irish Republic	2·3	20·4	−15·8	*na*	6·2
Italy	14·7	6·3	6·4	31·8	73·4
Netherlands	−32·1	20·1	164·4	−2,378·9	856·0
Portugal	—	2·3	0·9	*na*	*na*
Spain	2·6	2·1	12·7	−1·7	14·7
European Free Trade Association	344·8	217·2	236·5	286·2	417·5
Austria	1·2	12·5	−11·8	0·9	3·8
Finland	51·6	12·2	34·9	14·7	−7·3
Norway	21·3	86·1	32·2	34·4	22·0
Sweden	87·4	41·9	37·8	40·3	36·3
Switzerland	183·4	64·5	143·5	196·0	362·7
Other Western Europe	0·1	1·1	1·1	7·1	2·1
North America	**88·0**	**360·0**	**1,173·6**	**1,449·2**	**2,448·7**
Canada	−29·5	−11·6	42·8	−55·7	125·6
United States	117·5	371·5	1,130·8	1,504·9	2,323·0
Other developed countries	**281·0**	**32·4**	**142·4**	**−9·5**	**−105·0**
Australia	−44·7	18·3	−84·9	3·2	−144·0
Japan	173·3	−47·6	170·3	−5·6	116·0
New Zealand	12·9	−6·0	−4·9	*na*	*na*
South Africa	139·5	67·7	61·9	*na*	*na*
Rest of the world	**253·6**	**355·7**	**76·1**	**94·4**	**254·1**
Asia	238·7	347·8	−10·3	−63·1	149·7
Caribbean, Central and South America	3·4	34·9	42·0	93·9	93·1
Other	11·6	−27·0	44·4	63·6	11·4
World	**979·7**	**1,137·2**	**2,063·4**	**−245·7**	**4,330·8**

*Excluding miscellaneous transactions and, for 1981-83, oil companies.

na = not available.

cent, the United States had the largest share of any single country. The Netherlands, with 15 per cent, was in second place; this marked a significant shift because, as a result of upstreaming, British investment in that country had been negative for a number of years. The European Community accounted for 31 per cent.

Earnings from Outward Investment

Of net earnings from outward investment in 1985 of almost £8,000 million (see Table 3), 40 per cent was attributable to manufacturing. The developed countries accounted for 71 per cent. Twenty-six per cent of the total came from the United States and 9 per cent from the Netherlands; the European Community accounted for 20 per cent. The Federal Republic of Germany was responsible for the largest rise in 1985, with earnings in that year more than ten times the 1984 level.

Inward Investment

Inward investment in 1985 amounted to £4,421 million (see Table 1) – having been negative the previous year – and was roughly equally divided between oil and non-oil companies. Investment by oil companies recovered strongly from the negative outturn in 1984, but was again affected, though to a much reduced extent, by a transaction by the Dutch arm of the Royal Dutch/Shell Group.

Manufacturing accounted for 22 per cent of inward investment in 1985. The United States was the dominant country, with 54 per cent of the total (see Table 4), while the Netherlands, following substantial disinvestment in 1984, had 20 per cent; the European Community accounted for 30 per cent.

Outgoings from Inward Investment

Of total net outgoings from inward investment of almost £7,400 million in 1985 (see Table 5), 24 per cent was attributable to manufacturing. Oil companies accounted for 54 per cent, those with United States parent companies being especially heavily represented. Sixty-two per cent of total outgoings were to the United States and 14 per cent to the Netherlands; the European Community accounted for 24 per cent.

Table 5

Net Outgoings from Overseas Direct Investment in Britain Analysed by Area*

£ million

	1981	1982	1983	1984	1985
Western Europe	**215·7**	**231·1**	**478·5**	**1,897·4**	**2,032·0**
European Community	62·8	155·4	320·2	1,688·8	1,757·7
Belgium and Luxembourg	38·0	36·4	66·6	44·1	71·3
Denmark	27·6	26·4	27·9	15·9	29·9
France	−28·8	99·6	61·9	326·4	342·5
Federal Republic of Germany	67·2	20·2	22·5	132·9	130·6
Greece	0·4	—	—	*na*	*na*
Irish Republic	6·4	2·3	12·2	43·7	49·0
Italy	9·7	−16·2	−0·4	*na*	102·8
Netherlands	−61·9	−16·5	126·4	1,145·4	1,023·9
Portugal	—	1·5	2·3	*na*	*na*
Spain	4·2	1·7	0·7	−4·9	5·6
European Free Trade Association	152·5	74·5	157·6	206·3	271·1
Austria	0·9	3·8	2·4	0·1	2·6
Finland	−5·9	2·1	2·3	−1·9	6·3
Norway	4·7	−18·5	−6·4	3·9	−34·2
Sweden	5·0	12·2	35·6	31·7	46·7
Switzerland	147·8	74·8	123·8	172·5	249·1
Other Western Europe	0·4	1·3	0·7	2·3	3·2
North America	**1,519·7**	**1,363·8**	**1,382·8**	**3,893·0**	**4,816·8**
Canada	87·8	40·7	107·1	255·1	253·5
United States	1,431·9	1,323·0	1,275·7	3,637·9	4,563·3
Other developed countries	**122·7**	**116·4**	**262·2**	**357·2**	**350·0**
Australia	18·5	42·1	57·6	45·2	50·8
Japan	72·5	81·2	187·5	276·8	274·6
New Zealand	3·1	4·2	5·9	10·9	3·6
South Africa	28·6	−11·1	11·2	24·3	21·1
Rest of the world	**102·5**	**369·4**	**184·3**	**123·3**	**200·3**
Asia	48·3	287·3	104·4	27·6	60·0
Caribbean, Central and South America	41·5	65·7	57·7	92·4	127·8
Other	12·6	16·4	22·3	3·3	12·5
World	**1,960·6**	**2,080·7**	**2,307·9**	**6,270·9**	**7,399·1**

*Excluding miscellaneous transactions and, for 1981-83, oil companies.
na = not available.

BAA Flotation

BAA became the world's first major airport group to be privatised when its shares were sold by the Government in July. Both the offer to the public of fixed price shares and the offer to purchase shares by tender were substantially oversubscribed.

Details of the allocation of the fixed price shares and of the tender shares were announced on 18 July and 22 July respectively by County NatWest Ltd on behalf of the Secretary of State for Transport, Mr Paul Channon. Mr Channon said that the sale had been 'a resounding success'. Over 2 million people had bought shares in the company, 'the first major airport group in any country to enter the private sector'. The offer reaffirmed 'the success of the Government's policy of wider share ownership'.

Background

BAA plc's predecessor, the British Airports Authority, was established as a statutory body under the Airports Authority Act 1965 and began trading in 1966. The Government transferred to the Authority the ownership of Heathrow, Gatwick and Stansted airports in south-east England and Prestwick in Scotland. It acquired Edinburgh Airport in 1971 and Aberdeen and Glasgow airports in 1975. Under the Airports Act 1986 (see pp 93-4, 1986) the Authority was restructured, and airport assets and liabilities were transferred to seven subsidiary airport companies. In August 1986 the Authority was dissolved and its property (principally shareholdings in subsidiaries) and liabilities were transferred to BAA plc, a company wholly owned by the Secretary of State for Transport.

In the year ended 31 March 1987 some 55·3 million passengers used BAA's airports, which also handled

758,000 tonnes of cargo and 106,000 tonnes of mail. This represented 73 per cent of passengers and 85 per cent of cargo tonnage passing through Britain's airports. Over 44 million of the passengers were travelling on international flights. In terms of passengers on international flights, BAA is the world's leading international airport group. Heathrow is the world's busiest international airport, handling more international passengers than any other airport – some 26·1 million out of the airport's total of 31·7 million passengers in 1986-87 – and more passengers than any airport outside the United States. Over 70 airlines operate from the airport to more than 200 destinations. Gatwick is the world's third busiest airport in terms of the number of international passengers, and it handled a total of 16·6 million passengers in 1986-87.

BAA's turnover in 1986-87 amounted to £439 million, of which £212 million came from traffic revenues (mainly airport charges), £158 million from concession income, primarily from the sale of goods and services (including duty-free goods), and £69 million from rents and services. It recorded a trading profit on a current cost basis of £95 million, with a loss of £36 million on traffic revenues being more than offset by a profit of £131 million on commercial activities. It has a major investment programme to increase capacity at its airports, and capital expenditure in the next five years is expected to exceed £850 million at March 1987 prices.

Structure of the Offer

The Government offered for sale up to 500 million ordinary shares in BAA plc. The fixed price offer involved up to 260 million ordinary shares at £2·45 a share, with £1 payable on application and £1·45 in May 1988. Applications were also invited from the public to tender for up to 125 million ordinary shares at or above the fixed price, successful applications being satisfied by a clawback of shares provisionally placed with the financial institutions – 125 million of the 240 million allocated. In announcing on 22 June the issue of the 'pathfinder' prospectus, Mr Channon said that the inclusion of the tender offer was 'a radical innovation'. The Government believed that this method would help to secure the best possible price and would also give an opportunity for investors to acquire larger holdings than they had been able to obtain in some earlier flotations. To assist in making a significant contribution to the Government's objective of widening share ownership, the minimum application level for the fixed price offer would be relatively low, at 150 shares, but for the tender offer would be 1,000 shares.

As in other flotations, special arrangements were made for the company's employees and pensioners. Eligible employees of BAA were able to obtain 41 shares under the 'free' offer, while under the 'matching' offer they were offered at the fixed price the right to purchase 82 ordinary shares, with the Government offering two shares for each one purchased. In addition, they were given priority in allocations made under the fixed price offer for a total of up to 25 million shares.

Arrangements have been made for a share bonus for investors who hold the shares for three years until 31 July 1990 to receive one bonus share for every ten held, subject to a maximum of 200 additional shares. The Government is retaining sufficient shares – some 20 million – to satisfy the bonus entitlement, while, as in a number of other privatised concerns where it is considered necessary for the national interest, the Secretary of State is retaining a 'special share'.

Allocation of Shares

Some 2·47 million applications were received under the fixed price offer for 2,135 million shares. Each applicant for between 150 and 1,000 shares received an allocation of 100 shares, while those applying for more than 1,000 shares received none. Over 95 per cent of eligible employees applied for shares under the free and matching offers, with valid applications being met in full, while under the priority offer those applying for between 150 and 4,082 shares received their full allocation and those applying for more shares were granted an additional allocation as if their excess were a public application.

About 88,800 applications were received for a total of 759·2 million shares in the tender offer. The level of subscription (six times the number of shares available) meant that all the 125 million shares provisionally allocated to institutions were 'clawed back'. Valid tender applications at £2·83 or above were satisfied in full, while valid applications at £2·82 were accepted and an allocation made of 15·3 per cent of the shares applied for. Mr Channon said that 'the excellent response to the tender offer' indicated the benefit of this technique. The taxpayer would receive an additional £56 million as a result. 'These additional proceeds and the tremendous response to the fixed price offer confirm the resounding success of the flotation of BAA.'

National Rivers Authority

A policy and consultation paper containing the Government's proposals to set up a National Rivers Authority for England and Wales, to carry out the regulatory and river management functions of the water authorities after privatisation, was published on 16 July.[1]

Details of the Government's plans to privatise the ten water authorities of England and Wales were given in a White Paper published in February 1986 (see pp 91-3, 1986). In July 1986 the Secretary of State for the Environment, Mr Nicholas Ridley, announced that, in view of the time needed for preparation, the Government did not expect to introduce the necessary legislation during the 1986-87 parliamentary session (*Hansard*, Vol 100, No 142, cols 1261-70). Meanwhile the Government has reviewed its earlier proposals and has concluded that the water authorities' regulatory functions, and their responsibilities for environmental services, should remain in the public sector. These functions and services would be taken over by a new

[1] *The National Rivers Authority.* The Government's Proposals for a Public Regulatory Body in a Privatised Water Industry. Department of the Environment, Ministry of Agriculture, Fisheries and Food and Welsh Office. Available unpriced from Room A440, Department of the Environment, Romney House, 43 Marsham Street, London SW1P 3PY.

public authority, the National Rivers Authority (NRA), while the ten new utility public limited companies, which would assume the responsibilities of the water authorities and keep their existing boundaries, would control all utility services – water supply, sewerage and sewage treatment and disposal, which constitute some 90 per cent of water authorities business – after privatisation. The relationship of the statutory water companies – private companies which provide about a quarter of supplies – with the NRA has also been considered. The NRA would have between ten and 12 members, two appointed by the Minister of Agriculture, Fisheries and Food, one by the Secretary of State for Wales and the remainder by the Secretary of State for the Environment.

Proposed Main Functions of the Authority

Water Resources

The task of the privatised companies would be to provide and to maintain water supplies; that of the NRA to ensure that river and groundwater resources are available, not only for the public water supply, but also for agricultural and industrial needs; for the proper disposal (under strict control) of liquid discharges; and for public recreation, including fishing and water sports and the support of wildlife. The NRA's jurisdiction would match that currently held by the water authorities and would apply not only to rivers and other inland waters, but also to underground waters, estuaries and coastal waters; and to the issuing of abstraction and impounding licences. Water resources works, such as reservoirs, should, in the Government's view, be owned and operated by the companies which supply the water, provided that the interests of the public are safeguarded. In cases of reservoirs which feed the river system and retain water for release when river flows are low, and of schemes to transfer water from one river to another, the interests of the public and of other river users might be maintained through operating agreements between the companies and the NRA. The Government also examines the ways in which the companies and the NRA might charge for the costs they would incur, for instance, in building, operating and maintaining reservoirs. Special arrangements, applying to both the companies and the NRA, would obtain during periods of drought and civil emergency.

Environmental Quality and Pollution Control

The Government is considering recommendations to improve the quality of rivers, other inland waters, estuaries and coastal waters in England and Wales, and intends to provide an enforceable statutory system for their protection. New legislation would oblige the NRA, rather than the privatised companies, to maintain and enhance environmental quality and to control discharges of potential pollutants. Its major functions would be to issue discharge consents, at present carried out by Her Majesty's Inspectorate of Pollution (HMIP; see pp 300-1, 1986), in accordance with local statutory quality objectives and European Community directives, to the companies for their sewage treatment works and to all other dischargers; to monitor proper compliance with consent conditions and to recover its costs in so doing; and to take appropriate action not only in the event of non-compliance, but also in the event of unauthorised discharges. There would be rights of appeal to the Secretary of State for the Environment in respect of consent conditions. HMIP will continue to advise the Secretary of State on the needs and opportunities for water pollution control and on the adequacy of systems and arrangements for pollution control affecting the water environment. The NRA, as the national agency responsible for inland and coastal water quality, would have an important role in persuading the public to play its part in maintaining the cleanliness of the water environment.

Land Drainage and Flood Protection

The NRA would inherit all land drainage and flood protection responsibilities, which extend to estuarial and sea defences, from the water authorities. Regional land drainage committees would be replaced by regional flood defence committees of the NRA, with a majority of members from local authorities, together with other members, appointed by the NRA, the Minister of Agriculture, Fisheries and Food and the Secretary of State for Wales.

Fisheries

The NRA would take over the responsibilities of the water authorities, set out in the Salmon and Freshwater Fisheries Act 1975 (see p 388, 1975), for maintaining, improving and developing salmon and trout, freshwater and eel fisheries. It would also assume the charge of regulating these fisheries through licensing and of enforcing salmon and freshwater fisheries law.

Conservation, Recreation and Navigation

Conservation of inland and coastal water environments, for instance, estuaries as habitats for wintering and breeding birds, would be a duty for the NRA and for the companies, the latter because of their management of reservoirs. The advice of the Nature Conservancy Council would be available in the performance of these duties. It is proposed that the NRA should also take over the management and regulation of rivers, important for recreation and tourism, while the companies would have a similar duty to see that reservoir water is put to best use for recreational purposes. Navigation responsibilities of three water authorities – Anglian, Southern and Thames – would pass to the NRA.

NRA Finances

The regulatory and river management functions to be transferred to the NRA would mean a shortfall in water authorities' income of some £33 million a year. The NRA would be encouraged to make the maximum possible recovery of its costs, but any residual shortfall in cost recovery would be met by an annual grant from the Exchequer.

Public and Customer Interests

Responsibility for fisheries advisory committees and regional recreation and conservation committees would rest with the NRA, which would appoint such committees for each of its regions. They would also advise the companies on recreational and fisheries aspects of their reservoirs. Regional customer service committees (each with 15-20 members) would be appointed to regulate the economic performance, as far as public utility functions are concerned, of the companies and to investigate complaints not satisfactorily resolved by the companies. Arrangements for

local government representation on the committees would need to be discussed with local authority associations.

Research

The NRA would have a statutory duty to carry out or support research. The Government sees no need to impose such a duty on the privatised companies, who would have their own motivation for carrying out research to expand their business and in the interests of increased efficiency. The Government expects the Water Research centre, at present partly financed by the water authorities, to continue as a research contractor for the NRA and the companies.

Statutory Water Companies

In the Government's view, the establishment of the NRA would simplify the position of the 29 statutory water companies in relation to water resources. They would stand in the same relationship to the NRA as the privatised companies and it would be the NRA, not the companies, which would sanction abstractions and impoundments by them.

In a statement in the House of Commons on 16 July (*Hansard*, Vol 119, No 21, written answers, cols 579-80), Mr Ridley said that the proposals were the result of careful consideration, 'but there are a number of points on which we are keen to receive comment from interested parties', which included the water authorities themselves. The Government intended to make rapid progress in its consultations so that the necessary legislation could be drawn up as soon as possible.

Road Safety

The Government has accepted the analysis of an inter-departmental review of road safety policy and its recommended strategy, with the aim of achieving a reduction of one-third in road casualties by 2000.

INTER-DEPARTMENTAL REVIEW

The inter-departmental review, commissioned in 1983, is the first full review of road safety policy in Great Britain since the early 1970s.[1] It was prepared by a working group including representatives of the Department of Transport, the Department of Health and Social Security, the Department of Education and Science, the Department of Trade and Industry, the Scottish Development Department, the Welsh Office, the Home Office and the Treasury.

Trends in Casualties

According to the review, there has been a significant decline in road casualties since the 1960s (see table), with a fairly rapid decline from the mid-1960s, followed by a slower but steady decline in the late 1970s and early 1980s, in spite of a large increase in the volume of traffic. This broad pattern has occurred in most other developed countries. Britain has the lowest rate of road deaths per 100,000 population of any member of the European Community, and over the rest of the world only Norway and Sweden have marginally better records. However, in terms of pedestrian death rates it has an average record in comparison with other European Community countries, and an above average rate of child pedestrian casualties.

The review says that there is no single explanation for the fall in casualties, although it points out some specific measures as likely contributory factors in the last 15 to 20 years. These include developments in vehicle safety standards, such as seat belts and better braking performance; infrastructure improvements, such as motorways (which are eight times safer than other roads) and urban bypasses (which are often three times safer than the roads they replace); pedestrianisation of town centres; road lighting; safety barriers; and low-cost safety engineering measures. Other measures which may have had an effect, but where the evidence is more circumstantial, include training of drivers and riders; legislation regulating road user behaviour, such as that on speed limits and on drinking and driving; and education and publicity programmes.

The cost of road accidents to society is estimated at over £2,500 million a year. Functions relating to road safety involve public sector expenditure of up to £1,000 million a year. A central concern of ministers in establishing the review was that, with public sector funds unlikely to increase, those available should be used to obtain the best possible value for money.

Casualty Reduction Programme

The review considers a range of approaches and the working group has attempted to formulate an effective programme of road casualty reduction for the rest of the century. It proposes an overall objective of reducing casualties to two-thirds of their current level by the end of the century, through the sustained application of existing measures; and to seek further reductions by the identification of new measures and by the creation of a climate of opinion and understanding which is more sympathetic to the effective promotion of road safety. The review says that the key task for the programme must be the reduction of casualties among vulnerable road users (pedestrians, cyclists and motorcyclists) in urban areas. It considers that the key strategy to be pursued is the redirection of resources towards measures 'which are demonstrably cost-effective in terms of casualty reduction'.

Recommendations for implementation of the programme include a greater level of research and development, with the support of non-government finance to the maximum possible extent. Research would consider in particular the relative accident liability among different road-user groups; the relationship between mobility, traffic management, speed and accidents; the means of directly influencing road-user behaviour, with particular emphasis on young drivers and riders; effective measures to counter drinking and driving; public attitudes; and the cost-effectiveness of alternative measures for reducing casualties. The review says that the programme should seek to raise awareness of, and the status of, road safety as an issue of national importance; encourage debate on, and better understanding of, the issue of mobility versus safety; and provide better information to road safety practitioners, especially in local government, about casualty-saving

[1] *Road Safety. The Next Steps.* Available unpriced to individual enquirers from the Department of Transport, Room C18/12, 2 Marsham Street, London SW1P 3EB.

Casualty Statistics in Great Britain*

	1965	1975	1985	Per cent change 1975-85
Deaths	7,952	6,366	5,165	*−19*
Serious injuries	97,865	77,122	70,980	*−8*
Slight injuries	292,120	241,462	241,379	*0*
Total	397,937	324,950	317,524	*−2*
Deaths and serious injuries†				
Pedestrians	26,819	20,815	19,470	*−6*
Cyclists	7,856	4,564	5,652	*+23*
Two-wheeled motor vehicle users	24,829	16,613	18,172	*+9*
Car occupants	36,222	35,182	29,107	*−17*
Index of motor vehicle mileage (1965 = 100)	100	145	195	*+36*

*Provisional figures are available for 1986 in the Department of Transport's Statistics Bulletin. They show the number of casualties to be 320,593: deaths 5,397, serious injuries 68,565 and slight injuries 246,631.

†Excluding users of other vehicles (such as goods vehicles and passenger service vehicles).

measures and their relative cost-effectiveness. On central government policies it says that the level of resources devoted to measures that are not demonstrably cost-effective in casualty savings should be reduced, which would involve a run-down in the Department of Transport's paid advertising programme and other resource-consuming promotional activities. It also says that opportunities should be taken up for further progress in vehicle safety, such as car front designs which reduce the risk of injuries to pedestrians, and safer motorcycles; that low-cost safety engineering measures should be promoted; and that the importance attached to casualty savings as against time savings should be enhanced in setting priorities for the national roads programme.

Specific Recommendations

The review also contains a number of specific recommendations and a selection is given below:

1 On road safety education there is a need for an in-service teacher training and support scheme, and a pilot project in one or more local authority areas is recommended.

2 Various recommendations are made on road-user training, including a need to encourage driving instructors to develop better training methods and improve the quality of instruction, and the development of a 'traffic club' for children aged 3 to 5, either on a national basis if private sector funding can be obtained or in the form of a limited regional or local pilot project, in conjunction with local authorities.

3 The long-term behavioural research programme should include work to identify means of improving drivers' attitudes and roadcraft skills and of assessing these, while continuing efforts should be made to increase the take-up of advanced driver training and testing schemes.

4 There is a need to explore the scope for using insurance company data to identify vehicles and drivers with above average accident risks, and vehicle inspection systems should continue to be reviewed in order to ensure that they remain effective.

5 High priority in the Department of Transport's research programme should continue to be given to identifying effective measures to counter drinking and driving, while publicity strategies should be reviewed.

6 In addition to improved car design, the voluntary use of rear seat belts and child restraints should be encouraged and effectively monitored, while the possible benefits to be derived from new technology should be kept under review.

7 Among the specific measures recommended for motorcyclists and cyclists are a continuing effort to improve motorcycle riding standards by identifying more effective inducements for learners to take formal training and by exploring the possibility of a more demanding test; improvements to the safety of motorcycles, such as anti-lock brakes; and the possibility of formal advice to cyclists to wear helmets once a new standard for helmets has been agreed and its effectiveness established.

8 Pedestrians should be taken into account at the earliest stages of road construction and improvement and traffic management schemes, while a number of other measures on pedestrian training and safety are also proposed.

9 Resources available for road safety research should be increased by about 40 per cent, while major projects should be undertaken on the role of human behaviour in accidents and the means of influencing it, and the means of successfully exploiting urban traffic management to minimise casualties.

Government View

In a foreword to the report, the Secretary of State for Transport, Mr Paul Channon, says that the Government accepts the analysis presented by the review and has adopted the strategy recommended. Two changes will follow: the start of a major programme of research into road use behaviour and the causes of accidents; and an attempt through a wide variety of means to establish a climate of public opinion which will be more concerned about, and favourable to, road casualty reduction. An additional £3 million will be devoted

to road safety research and a Behavioural Studies Unit has been set up at the Transport and Road Research Laboratory. A programme of low-cost safety schemes is being developed for roads under the control of the Department of Transport. The review is being made available to a wide range of interested organisations and Mr Channon says that he looks forward to developing ideas and initiatives within the framework in the light of the response to the review.

Maritime Safety

A number of improvements to the safety of roll-on, roll-off passenger-carrying vessels have been announced following the formal investigation into the loss of the *Herald of Free Enterprise*.

Details of the proposed measures were announced by the Secretary of State for Transport, Mr Paul Channon, in the House of Commons on 24 July (*Hansard*, Vol 120, No 26, cols 680-97). The *Herald of Free Enterprise* capsized outside Zeebrugge harbour in Belgium on 6 March 1987 with the loss of at least 188 lives.

Mr Channon said that the report of the wreck commissioner appointed to investigate the sinking, Mr Justice Sheen, had found that the vessel had put to sea with her outer and inner bow doors fully open.[1] As her speed had increased, large quantities of water had entered the vehicle deck and destroyed the vessel's stability, so that she had sunk rapidly, although as a result of the efforts of the rescue authorities 350 people had been saved. The court had found the sinking to be the fault of the master, the chief officer, the assistant bosun and of the vessel's operator, Townsend Car Ferries Ltd, at all levels of management. Criticisms of the management had included particularly the failure of the company to give clear orders about the duties of the officers on the service to Zeebrugge, which had 'contributed greatly to the cause of the disaster'. The management had failed to give attention to warnings from masters of its vessels or suggestions of methods of improving safety. In particular, it had not given proper attention to complaints that ships had proceeded to sea with more passengers than permitted, to suggestions for fitting warning lights on the bridge to indicate whether the bow and stern doors were open or closed, and to problems over reading the draughts of the vessels. However, the report had noted that a new top management had subsequently been appointed to the company, which had 'shown a determination to put its house in order'.

Mr Channon said that the report contained a number of recommendations for measures to improve the safety of roll-on, roll-off passenger ferries. Many were of major importance, and he would be discussing the report and its recommendations with representatives of the ferry operators and the port industry. However, he was undertaking immediately the necessary statutory consultations to make mandatory three measures: the fitting of indicator lights to show the position of superstructure doors; the fitting of closed-circuit television monitors for surveillance of a ferry's car deck and to enable the position of the car deck doors to be monitored from the bridge; and the provision of self-contained emergency lighting units of a type suggested by the report. He proposed that these requirements would be applied to all roll-on, roll-off passenger ferries operating to or from ports in Britain, irrespective of the flag under which a ferry operated. He was also consulting the industry as a matter of urgency on three further measures recommended in the report: the fitting of draught gauges; the fitting of load indicators; and the type of window design, including the use of toughened or laminated glass.

Although the number of passengers on board the vessel at the time of the disaster had been within the permitted maximum, Mr Channon continued, the report drew attention to a number of reported incidents of ferries carrying more passengers than allowed. The court considered that it would be possible to introduce a system of boarding cards, whereby the number of cards which could be issued for a voyage would correspond to the permitted maximum number of passengers, so avoiding automatically the risk of carrying excess numbers. He would pursue this proposal with the ferry operators. The *Herald of Free Enterprise* had probably been significantly overloaded, although this had not been a cause of the disaster. The report drew attention to problems in measuring the weight of vehicles on ferries and in identifying the effect of the distribution of the load on the draught and trim of the vessel. In his discussions with port authorities and ferry operators, he would pursue the report's suggestion for greater use of weighbridges for improving information supplied to masters on the weight of vehicles loaded on to ferries, while the Department of Transport would also analyse the weight of long-distance coaches. In addition, he would examine with the industry the problems which could arise when the design of a berth made it impossible for a vessel to close the loading doors before departure.

Mr Channon said that, following the disaster, the Department's surveyors had embarked on a programme of checks on roll-on, roll-off ferries in British ports to ensure that all loading door mechanisms were in working order, and that crews were aware of the correct operating procedures. These arrangements were being extended to include random checks on ferries to ensure that statutory requirements on loading, stability and passenger numbers were being observed. In its longer-term recommendations, the court had proposed detailed investigations and model tests with a view to increasing the stability of roll-on, roll-off passenger ferries, and an examination of the implications of providing bulkheads on vehicle decks. Accordingly, the Department of Transport was making available an additional £1 million to support an enhanced programme of research on these aspects. Stability regulations for passenger ferries had been revised in 1980. Although the *Herald of Free Enterprise* had been built in accordance with these standards, the report suggested that older vessels which could not meet these standards should be phased out. Mr Channon said that, although there was no reason for undue concern about the safety of older vessels, the

[1]The report of the court of investigation, expected to be published in September 1987, will be available from HMSO.

Department of Transport would reassess their standards against those of 1980 and decide whether further action was necessary.

The Secretary of State said that different views had been expressed during the hearings as to whether taking a vessel to sea with the bow doors open constituted an offence under the Merchant Shipping Acts. The court's view was that no statutory offence had been committed. However, in his opinion this should be a criminal offence and provisions to strengthen the law would be included in the forthcoming Merchant Shipping Bill.

Science and Technology

A recent White Paper presents changes in the Government's system of administering science and technology, and outlines its policy in this area. Two reports from the Advisory Board for the Research Councils recommend far-reaching reforms in the university science sector and an increase in the science budget. A new body has been set up to identify commercially exploitable areas of scientific research and revised figures for industrial research and development in Britain have been published.

White Paper

On 20 July the Government published a White Paper[1] in reply to the January report of the House of Lords Select Committee on Science and Technology (see p 80). In response to the Committee's call for a new impetus to be given to science policy in Britain and for better co-ordination between departments in this field the Government has announced structural changes. Priorities in science and technology policy will now be decided by collective ministerial consideration under the Prime Minister's leadership. Assisting in the process will be the new Advisory Council on Science and Technology (ACOST), which will incorporate the existing Advisory Council for Applied Research and Development (ACARD). ACOST will maintain a secretariat within the Cabinet Office and report directly to the Prime Minister. The Council is to advise on national priorities in science and technology policy, on the application of the results of scientific research in both the public and private sectors, on the co-ordination of government policy (in association with departmental advisory bodies), and on Britain's participation in international scientific and technical projects. The new Council will have a wider independent membership and broader terms of reference than ACARD, covering defence as well as civil research, and academic science (in co-operation with the Advisory Board for the Research Councils – ABRC) in addition to industrially oriented research and development (R & D). ACOST's chairman will be Sir Francis Tombs, chairman of ACARD and of Rolls-Royce. The Committee of Departmental Chief Scientists will also be expanded to reflect its wider responsibilities in supporting the collective ministerial consideration of science and technology matters.

The White Paper welcomes the 'general thrust' of the Select Committee's views on improving the co-ordination and administration of research carried out by the research councils and higher education institutions. It calls for comments on a new report from the ABRC (see below), which will be taken into account in devising a new strategy for the academic science base. The paper reaffirms the Government's view that universities should charge the full cost (including overheads) of research they carry out for clients in both public and private sectors.

On the question of research funding the White Paper echoes the Select Committee's emphasis on concentrating resources on areas with some prospect of economic benefit; in this connection it welcomes the Committee's endorsement of the customer-contractor principle, of the Government's support for strategic research, and of the 'exploitable areas of science' approach (see p 277).

The Government sees the prime responsibility for increasing expenditure on industrial R & D as belonging to firms themselves. The proportion of such R & D funded by industry is lower in Britain than in many other industrially developed countries and the success of British industry in recent years should enable companies to provide more finance for such purposes. The White Paper agrees with the Select Committee that firms should reveal their R & D spending in their accounts, but hopes to achieve this by voluntary agreement, although future legislation is not ruled out. The Committee's suggestion of tax incentives to promote private R & D expenditure has been studied by officials of the Inland Revenue and the Treasury, who concluded that the amount of extra R & D that would thereby be encouraged would probably not be sufficient to justify the resulting loss of revenue to the Government. The paper also notes that improved procedures for gathering statistics on industrial R & D, as called for by the Select Committee, have already been put into operation (see pp 107-8 and 277), that the Department of Trade and Industry is currently reviewing its role in supporting and encouraging innovation in industry, and that the Government is using public purchasing as a means of stimulating private sector R & D, as the Committee recommended.

The White Paper outlines a number of recent measures designed to increase the rate of civilian spin-off from defence R & D. These include the creation of Defence Technology Enterprises Ltd, which identifies and promotes civil applications of defence research, the publication of separate statistics on defence R & D, and several joint research projects involving the Ministry of Defence and the Department of Trade and Industry with industrial companies. In response to a further suggestion from the Select Committee, the Ministry is to produce periodic reports on the defence research programme to facilitate commercial application of its results.

ABRC Reports

Each year the ABRC reports to the Secretary of State for Education and Science on the science budget for the following year. This year the Board was also asked to put forward its views on the longer-term future of the science base and its administration by the Univer-

[1] *Civil Research and Development. Government response to the First Report of the House of Lords Select Committee on Science and Technology, 1986-87 Session.* Cm 185. HMSO, £2·20. ISBN 0 10 101852 5.

sity Grants Committee and the research councils.[1] The ABRC's longer-term policy proposals are set out in a discussion document,[2] which suggests that university research should be more selectively funded and better managed, and that more should be done to exploit it commercially, in order to enable Britain to remain internationally competitive in most areas of scientific research.

The main proposal is for the division of Britain's 60 or so universities and similar institutions into three categories. About 15 institutions would be designated type R and would teach at both undergraduate and postgraduate levels, and engage in research over a wide range of subjects, much as most British universities do at present. Others would be transformed into type T organisations, specialising in teaching rather than fundamental research. The rest, type X institutions, would teach a broad range of disciplines, but carry out research only in selected fields, in which they had particular strengths.

The research councils would develop interdisciplinary research centres in association with type R and X universities. These centres would employ a relatively small research staff, with much of their work being done by visiting research teams from universities. The centres would specialise in positively directed programmes of research on related topics and would absorb a large part of research council funding for universities.

The document also calls for better career opportunities to be provided for able young researchers and for training in management techniques to be given to university research administrators and those running the research councils.

The ABRC supports the formation of a new process for determining science and technology priorities that would involve both the academic science base and industry. In addition the Board calls on the research councils to give greater priority to research programmes which involve industrial users and suggests an initiative, led by the Department of Education and Science and the ABRC, to market the science base to the industrial sector. Although the report's emphasis is on making academic research more amenable to commercial exploitation, it also proposes that a specific policy should be devised to safeguard minimum levels of research council funding for non-market-oriented 'curiosity based' research.

The Board rejects the idea (put forward in evidence to the Select Committee) of setting up a new body to co-ordinate the work of the existing research councils; it argues that the current Department of Education and Science machinery is adequate for this task.

In its annual report[3] the ABRC recommends that an extra £103 million be spent on the science base in 1988-89. Of this figure £44 million would be devoted to the restructuring proposals outlined above. The Board proposes that six interdisciplinary university research centres should be set up in each of the next three years, in fields such as superconductivity, surface science and toxicology, at a total estimated cost of £90 million.

In an independent initiative the Science and Engineering Research Council has invited universities to bid to host (either individually or as part of a consortium) one of a series of research centres that will specialise in subjects which cut across normal university departmental divisions. The strategically important topics singled out for the first of these centres are surface science; semiconductors and novel materials; molecular sciences; lasers in manufacturing; engineering design; process simulation, integration and control; and high temperature superconductivity. The centres may involve one or several higher education institutions with or without a degree of industrial participation.

Exploitable Areas of Science

In May 1986 ACARD reported to the Government on the feasibility of developing machinery to identify areas of scientific research that have particular commercial potential (see pp 201-2, 1986). The Council recommended that a central and permanent forum independent of government be set up for this purpose. On 8 July this year Sir Francis Tombs, chairman of ACARD, announced the establishment of the Centre for Exploitable Areas of Science and Technology. The Centre's costs for its first five years will be met by £4 million raised by ACARD from 15 industrial companies and financial institutions, and by £1 million from the Government. Its initial organisation has been put in the hands of a steering committee composed of representatives of industry, financial institutions and government departments.

The centre will bring science, industry, investors and government together to monitor scientific research and developments in world markets, to identify projects that show commercial potential, to ensure that scientific advances generate more saleable goods and services, and to make researchers more aware of market trends and commercial opportunities.

Research and Development Survey

The Department of Trade and Industry has issued revised and more detailed data on industrial research and development expenditure in Britain in 1985. The provisional results released in February (see pp 107-8) underestimated such spending, especially that by industry itself and from overseas. The final results show that £5,145·8 million was spent on intramural R & D in 1985, an increase in real terms of 12 per cent over 1983. An additional £30·9 million went on commercially oriented research carried out at higher education institutions.

The fastest growth in R & D expenditure has been in the motor vehicle, chemical and electronics industries, and the slowest in mechanical engineering (where it actually fell in real terms). Of the total, 66 per cent (£3,377 million) came from industry itself, its highest proportional contribution since 1968. The largest portion of the Government's total funding of £1,193·5 million went to aerospace. Overseas funds (of which two-thirds went to the chemicals and electronics sec-

[1]The Science and Engineering Research Council, the Natural Environment Research Council, the Agriculture and Food Research Council, the Medical Research Council, and the Economic and Social Research Council.

[2]*A Strategy for the Science Base*. A discussion document prepared for the Secretary of State for Education and Science by the Advisory Board for the Research Councils. HMSO, £3·95. ISBN 0 11 270627 4.

[3]*Science and Public Expenditure 1987: a report to the Secretary of State for Education and Science from the Advisory Board for the Research Councils*. Available free from Publications Despatch Centre, Department of Education and Science, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.

tors) were responsible for £575·2 million or 11 per cent of the total, compared to 7 per cent in 1983.

Although the figures show a fall of 7 per cent (to 172,600) in the numbers employed in industrial R & D between 1983 and 1985, the number of scientists and engineers rose by 5 per cent. The decline was in the ranks of technical workers and support staff.

With the revised data the Department has compiled estimates of Britain's gross domestic expenditure on R & D, which includes government expenditure for its own purposes as well as that on industry's needs. The total in 1985 is estimated at £7,919·2 million, or 2·2 per cent of Britain's gross domestic product.

Shorter Notes

FINANCE (NO 2) ACT 1987

The Finance (No 2) Act 1987 received the Royal Assent on 23 July. It restored those measures which were announced in the Budget (see pp 131-3) but, because of the general election in June, were omitted from the Finance Act 1987 (see p 214).

On business taxation, the measures restored were those on corporation tax as applied to companies' capital gains; the introduction of the 'Pay and File' method of collecting corporation tax; the ending of the practice whereby multinational companies with dual residence could claim tax relief twice on the same interest payment; the tightening of the provisions for corporation tax relief on banks' overseas lending; and the tax treatment of Lloyd's insurance syndicates with respect to Lloyd's Reinsurance to Close.

Employers will be liable to an interest charge from the Inland Revenue on undeducted income tax from their employees.

Inheritance tax on gifts involving certain types of trust is abolished.

Source: HM Treasury.

COMMUNITY CHARGE

The community charge, which is to replace domestic rates (see pp 23-4 and 97), is to be introduced in England in 1990, as planned, but will be phased in over four years, the Secretary of State for the Environment, Mr Nicholas Ridley, announced on 30 July. During this period the community charge and rates would run in parallel. In the first year, from 1 April 1990, all those over the age of 18 would have to pay a community charge of around £100; this would gradually rise and domestic rates fall until 1 April 1994, when the community charge would completely replace domestic rates.

'The Government believes that a four-year transition to the new arrangement strikes the right balance between giving individuals – and local authorities – time to adjust, and ensuring that full implementation of the new system, with the strengthened accountability it will bring, is not delayed longer than necessary. Over this period ratepayers will increasingly be seeing the benefits of the new arrangements while community charge payers have time to adjust to the new charge,' Mr Ridley said.

He explained that, out of an adult population of 35 million in England, only 18 million were liable for domestic rates and only 12 million paid them directly and in full. The community charge would spread the burden of payment more widely, giving all voters a direct financial stake in the decisions of their councils.

There will be no transition period in Scotland or Wales, where the community charge will replace domestic rates completely on 1 April 1989 and 1 April 1990 respectively.

For England and Wales the necessary legislation will be introduced in the present parliamentary session. For Scotland, the Abolition of Domestic Rates Etc. (Scotland) Act 1987 received the Royal Assent on 15 May.

Source: Department of the Environment press notice, 30.7.87.

VENTURE CAPITAL IN BRITAIN

The venture capital industry in Britain has grown dramatically since 1979 according to government ministers. ('Venture capital' is the name given to funds made available by financial institutions in support of innovative or other new and growing high-risk business ventures.) Speaking in the House of Commons debate on the loyal address on 2 July, the Chancellor of the Exchequer, Mr Nigel Lawson, said that the industry, which had been virtually non-existent in 1979, was now larger in Britain in proportion to its gross domestic product than was the case in the United States.

Britain has also seen the fastest growth in venture capital in Europe, said the then Secretary of State for Trade and Industry, Mr Paul Channon, addressing the first joint meeting of the European and United States Venture Capital Associations on 11 May. In 1979 there were only five venture firms in Britain, investing £7 million; by 1985, however, investment had risen to £279 million. The strength of the industry, he said, was due in part to the stature of London as an international financial centre with one of the largest capital markets in the world. He drew attention in particular to the growth of the Unlisted Securities Market and the Stock Exchange's Third Market (see p 68) as providing important new avenues for investors. The Government had also played a part by encouraging wealth creation, enterprise and initiative, by removing unnecessary controls on prices, dividends and foreign exchange transactions, and by reducing personal taxation and reforming corporation tax.

The annual report of the British Venture Capital Association, published in May, shows that the Association's 77 full members invested some £426 million in 708 companies in 1986, of which 90 per cent (£384

million) was invested in 600 British companies, and most of the remainder in United States companies. This compared with £325 million invested in 1985 (£278 million in British companies) by the 67 full members of the Association in that year.

The figure of £384 million invested in British companies in 1986 was 38 per cent higher than the figure for 1985. Some £300 million of it (78 per cent) was invested in companies which had not previously received venture capital finance. A total of 962 individual investments was made. Of the five different 'financing stages' at which investment may be made – start up, other early stage, expansion, buy-out/acquisition, or secondary purchase – the share of the total amount invested accounted for by the buy-out/acquisition stage increased from 37 per cent in 1985 to 45 per cent.

The report also shows that consumer-related businesses were again the single most important industry sector, accounting for 25 per cent of British companies receiving finance, and other service companies significantly increased their share from 11 per cent to 19 per cent. The South East and Greater London were slightly less dominant as consumers of venture capital, but firms in these regions still accounted for two-thirds of the total amount invested.

Sources: *Hansard*, Vol 118, No 10, col 656; Department of Trade and Industry press notice, 11.5.87; *British Venture Capital Association Report on Investment Activity 1986*. Available unpriced from the Association at 24 Old Bond Street, London W1X 3DA.

EXPORT AWARD FOR SMALLER BUSINESSES

Five British companies have had their outstanding export achievements recognised with the 1987 Export Award for Smaller Businesses.

The winners, out of 277 eligible entrants, are Messrs C. Anderson, fish merchants, of Peterhead, Aberdeenshire; Anyspeed, manufacturers of electric motor speed controllers, of Telford, Shropshire; Celltech, a biotechnology company, of Slough, Berkshire; C and K Software, producers of mainframe computer software, of Chard, Somerset; and Dent Instrumentation, manufacturers of yarn breakage detection systems for the spinning industry, of Colne, Lancashire.

The Export Award is sponsored by the British Overseas Trade Board; Kelly's UK Exports, a Reed International publication; Price Waterhouse, chartered accountants and business advisers; Thomas Cook; and Midland Bank, which also administers the scheme. The Award, of which this is the eighteenth, is open to independent British firms in the manufacturing or service sectors with up to 200 employees. Eligible companies must be able to show a sustained increase in export earnings over their two most recent financial years, with earnings of over £100,000 in the second year.

Source: Export Award for Smaller Businesses press notice, 2.7.87.

SMALL FIRMS SERVICE

The annual report of the Department of Employment's Small Firms Service, which offers information and counselling services to small firms in England through 205 area offices in ten regions, shows that there was a substantial rise in the Service's activity in the year to 31 March 1987. It handled some 283,500 enquiries, 12·3 per cent more than in the previous year, while counselling sessions offered by the Service increased by 8·8 per cent in number to about 38,200, involving some 28,000 firms. In both cases the northern offices of the Service (the North East, the North West and Merseyside) were mainly responsible for the growth in work.

Introducing the report, the Minister of State with Special Responsibility for Small Firms, Mr John Cope, said that the Government's aim was to encourage enterprise, and nowhere was enterprise more evident than in the small business sector, which had grown tremendously in recent years. The Small Firms Service made a substantial contribution, and its counselling service represented a unique partnership between government and industry, enabling the experience of the counsellors, which had been developed over a lifetime in industry or commerce, to be put to use.

The report says that key development work during the year was aimed at integrating the work of the Service with that of other local agencies, particularly the local enterprise agencies (partnerships between local authorities and larger industrial and commercial companies aimed at stimulating small firms in a particular vicinity). The Small Firms Service's computerised database and management system were being made more accessible to other organisations, and, in a pilot project, part of the time of counsellors in the Yorkshire and Humberside region was being allocated directly to local enterprise agencies. The Service also plays a part in raising awareness of the importance of enterprise and initiative in the community as a whole and took part in activities aimed at encouraging ethnic minority groups and people in areas of particular need.

Monitoring of feedback from clients indicated that 95 per cent of respondents thought that the work of the Service had been of value to them. In order to improve its monitoring the Service will employ external consultants in 1987-88 to provide an independent evaluation of the counselling service.

The counselling team was reinforced a little during the year and rose to over 300 in number. Franchising operations, co-operatives and tourism form the growth areas for counselling. About a quarter of the counselling work done was offered under the 'Business Development Service' scheme to established small firms rather than new ones, the aim being to help such firms through the critical parts of growth stages. As a consequence of this a larger element of work is being done in support of exporters.

Charges remained unchanged during the year. As before, information was freely available and new firms were offered three free counselling sessions, after which there was a fee of £30 per session. The Service's expenditure amounted to £5·27 million, the counselling service accounting for over a third of costs. Some 78 per cent of approaches to the Service were made by telephone during the year. A further 13 per cent arose from participation in exhibitions and other promotions.

In Scotland and Wales the Small Firms Service is operated by the Scottish Development Agency (with 44 area offices) and the Welsh Development Agency (41 area offices) respectively.

Source: *Small Firms Service Annual Report 1986-87*. Department of Employment. Available free from the Department's Small Firms Division, Steel House, Tothill Street, London SW1H 9NF.

ROBOTICS RESEARCH INITIATIVE

As part of his Department's Advanced Robotics Initiative (launched in 1985), Mr Robert Atkins, Parliamentary Under-Secretary of State for Industry, announced on 28 July that the new Advanced Robotics Research Centre would be hosted by Salford University Business Systems, a private company controlled by the university. The Centre will bring together as a team researchers seconded from a variety of industrial companies. Its costs, estimated at about £2 million a year, will be met by the Department and by industry for the first three to five years, after which it will become self-financing.

In April the Department of Trade and Industry set up the Advanced Robotics Administrative Support Agency, an information service run by Marinetech North West, a consortium of five universities with an interest in marine technology (an important area of use for robots). The Agency, funded for two years by the Department, aims to develop a greater awareness of the future market potential for advanced robotics, with a view to promoting the growth of an advanced robotics industry in Britain.

Sources: Department of Trade and Industry press notices, 6.4.87 and 28.7.87.

CHANNEL TUNNEL

The Channel Fixed Link Treaty was ratified by Britain and France on 29 July following the enactment of the Channel Tunnel Bill (see pp 235-6, 1986) which contains powers to enable the tunnel to be constructed and operated. At the ratification ceremony in Paris, the Prime Minister, Mrs Margaret Thatcher, said that it completed the work of the British and French governments in 'creating the framework for this most exciting project to go forward'. The governments were also able to announce their joint intention on the establishment of high-speed train services which would operate between London and Paris from the opening of the tunnel [intended to be in 1993]. She believed that this would be a 'major step forward for exporters, for business travellers and for tourists', and it would also be 'a vital step towards the development of a Europe-wide network of high-speed trains'. The Eurotunnel consortium (Channel Tunnel Group/France Manche) would commission the design and construction of 'the greatest civil engineering project in Europe'.

In welcoming the new Act on 23 July, the Minister of State for Transport, Mr David Mitchell, said that the amendments to the Bill had brought substantial improvements; the Bill had been the subject of more than 6,000 petitions to Select Committees of both Houses of Parliament. He referred to a number of the main changes, in particular the planning schedule, which would give local authorities considerable powers over detailed design and provide a scheme of operations; revised road access arrangements to the terminal at Cheriton (Kent), which had been a matter of great concern locally and to environmental groups; the requirement for a code of practice for the carriage of disabled people on the shuttle trains; the provision for frontier controls to be carried out on board trains travelling beyond London; and the requirement for British Rail to produce a plan for the provision of freight and passenger services beyond London, to ensure that the tunnel's benefits were spread throughout Britain. As well as enabling the ratification of the Treaty to take place, the Act would also allow for the concession agreement (see p 235, 1986) between the British and French governments and Eurotunnel to come into operation. Construction work in Britain would be started shortly. [For information on the project see pp 58-63, 1986.]

Source: Department of Transport press notice, 23.7.87.

ACID RAIN

The deposition of acidity in rain in Britain over the period 1981 to 1985 was lower than in the previously studied period of 1978 to 1980, according to the second report of the United Kingdom Review Group on Acid Rain, published on 30 July. The group was established by the Department of the Environment in 1980 to provide up-to-date assessments of the extent of acid deposition in Britain and is mainly composed of experts from government and other research laboratories.

The report says that, for both the periods studied, data of sufficiently high quality were available from only a small number of monitoring stations, while there were also large yearly variations caused by the weather. However, following a recommendation in the first report (see pp 71-2, 1984), two new acid rain monitoring networks in Britain have been established by the Warren Spring Laboratory for the Department of the Environment and will allow a detailed picture of acid rain for the whole of Britain. The first results from these networks will be published later in 1987.

On examining the deposition and average concentration in rain of acidity and other major ions, it was found that the spatial patterns of the concentration and deposition were broadly similar in 1981-85 to those in 1978-80, but deposition of acidity was lower by about 25 per cent and that of sulphate was also somewhat lower. Deposition maps could only be drawn for northern and eastern Britain owing to the lack of data. The maximum levels of deposition were estimated to occur in areas of high rainfall, including Cumbria and the Highlands of Scotland, where acid deposition was comparable with that in areas of high rainfall and deposition in southern Norway. The distribution was broadly similar to that in 1978-80, but

deposition was significantly lower in much of northern Britain. The relationship between ions has changed over time, with the ratio of nitrate to sulphate concentration in rain having increased in Scotland, although the available data show no evidence of an increase in England.

In most areas of Britain the greater part of the sulphur is deposited by dry deposition of sulphur dioxide gas. British emissions of sulphur dioxide have continued to decline since the peak of the late 1960s, and an estimate of dry deposition for 1983 showed the same pattern as for 1978, but with a noticeably lower magnitude.

Source: *Acid Deposition in the United Kingdom 1981-1985.* A Second Report of the United Kingdom Review Group on Acid Rain. Available from the Warren Spring Laboratory, Department of Trade and Industry, Gunnels Wood Road, Stevenage, Hertfordshire SG1 2BX. £10. ISBN 0 85624 457 0.

Bangladeshis in Britain

Further action to meet the particular difficulties experienced by the Bangladeshi community in Britain is proposed in the Government's reply published in July to a Select Committee report on Bangladeshis in Britain. The Government believes that, where appropriate, these measures should draw upon the community's capacity for self-help which is already evident in a number of areas.

The Bangladeshi Community

The report of the Home Affairs Committee of the House of Commons (see p 80) estimated that there were about 100,000 Bangladeshis in Britain in 1985. The main features of their distribution were the heavy concentration in the London borough of Tower Hamlets and the limited number of other local authorities with significant communities. After Tower Hamlets the next largest groups were thought to be in Birmingham, Luton, Oldham, Bradford and the London borough of Camden. Their numbers are growing rapidly, partly because of the continuing immigration of wives and children and partly because their fertility rate is at present very high. Up to 95 per cent of Britain's Bangladeshis come from the Sylhet region and their language, Sylheti, a dialect of Bengali, has no written form. Virtually all are Muslims.

Government Reply

In its reply to the Select Committee[1] the Government says that the report performs a useful service in highlighting the range and scale of difficulties facing the Bangladeshi community in Britain. Its perceptive account of these difficulties and of the practical problems encountered by public services in attempting to provide adequately for Bangladeshi needs should stimulate discussion and reappraisal of current practice. The Government accepts the Committee's view that the Bangladeshi community, despite its capacity for self-help and some individual success, is among the ethnic minority groups facing most difficulty. The hopes which may have been entertained that Bangladeshis would quickly overcome the initial disadvantages stemming from their recent arrival in Britain and begin to achieve their goals of economic and social betterment and to participate in British society had not been realised.

The Committee noted the existence of discrimination as one cause of the Bangladeshis' problems – a handicap shared with other minority groups – but their largely rural background, lack of the skills required in the wider employment market and their particular difficulties in learning English were additional barriers to adapting to life in Britain. The Government accepts the Committee's view that the needs and special problems of Bangladeshis, especially where they live near other Asian groups, may not be distinguished sufficiently from those of other ethnic minorities. Nor have the public services always taken account of the particular needs of the Bangladeshi community, which is still receiving new members from overseas through the processes of family reunion.

To help overcome these disadvantages the Home Office, in co-operation with interested local agencies and the Commission for Racial Equality, is prepared to provide support for a small number of regional or local conferences at which representatives of key services can meet members of the Bangladeshi community to review what is being done already and to consider how available resources, including those designed to combat racial disadvantage in general, can be better targeted and used more effectively. The Government strongly endorses the Committee's view that Bangladeshis should be involved to as great an extent as possible with measures designed to assist their community and that, wherever appropriate, efforts should be made to build on their own capacity for community self-help. Advice work, cultural education, social activities, and work with young people and with women's groups were all areas where the community itself was seeking to do more.

The Committee recognised that the Urban Programme was increasingly providing effective means of directing resources to ethnic minority projects and the Government says that local authorities should encourage appropriate projects for central government funding, including those run by voluntary groups within the Bangladeshi community. A recent initiative supported by the Home Office in conjunction with Business in the Community and the Bangladeshi community is a project run by the Tower Hamlets Centre for Small Business to encourage business development among Bangladeshis.

[1] *Bangladeshis in Britain. The Government Reply to the First Report from the Home Affairs Committee, Session 1986-87.* Cm 193. HMSO, £2·60. ISBN 0 10 101932 7.

The reply contains a number of government responses to specific recommendations relating to housing, education, employment, social services and health.

Shorter Notes

INTERNATIONAL CONFERENCE ON DRUG ABUSE AND ILLICIT TRAFFICKING

The first international conference on drug abuse and illicit trafficking to be held at ministerial level took place in Vienna from 17 to 26 June. Convened by the United Nations, the conference drew up a political declaration and a plan of action to provide guidelines for future international efforts to control drug misuse. It was attended by ministers, non-governmental agencies and international organisations, and representatives from 130 countries were present. The political declaration affirmed members' commitment to international co-operation in tackling the problem of drug misuse, while the guidelines contained in a 'comprehensive multi-disciplinary outline' set out detailed measures which governments and organisations might take to combat all aspects of the problem.

The British Government was represented at the conference by the Hon Douglas Hogg, Parliamentary Under-Secretary of State at the Home Office with special responsibility for drugs. Mr Hogg said that effective international co-operation was a necessity in dealing with drug abuse. The confiscation of drug traffickers' assets was a real and compelling deterrent. Britain already had legislation to confiscate the wealth of drug traffickers (see pp 69-71, 1986) and the Government looked forward to developing practical measures to implement these provisions internationally. Britain was fully committed to working towards the rapid completion of a United Nations Convention on Illicit Drug Trafficking (see pp 244-5, 1985) which could be ratified by as many governments as possible. One of the main objectives of the Convention should be to ensure that the drug trafficker could be tried in any country on the basis of evidence gathered wherever he had operated, with effective action against his assets wherever they might be held. Mr Hogg also referred to the work of the United Nations Fund for Drug Abuse Control, to which Britain is one of the major donors. The fund had done remarkable work in developing comprehensive schemes for tackling drugs problems in a number of producer and transit countries and Britain had recently pledged £3·4 million to its crop substitution/rural development programme in Pakistan and £800,000 to its law enforcement programmes in Bolivia and Ecuador, in addition to an annual contribution of £150,000.

Source: Home Office press notice, 18.6.87.

BUSINESS SPONSORSHIP OF THE ARTS

The Business Sponsorship Incentive Scheme has brought more than £14 million of new money to the arts since it was introduced in 1984. Over 800 businesses (of which over 500 were first-time sponsors) have given a total of £10·1 million to arts organisations and this has been matched by £4·2 million from the Government. Announcing the latest 77 awards under the scheme, Mr Richard Luce, Minister for the Arts, said the sharp increase in the level of business sponsorship was encouraging; among the current list, eleven organisations were receiving the maximum government contribution of £25,000.

The latest sponsorships receiving government awards include: a range of national and local companies supporting the Youth Eisteddfod in Wales; the National and Local Government Officers' Association sponsoring a production by the Moving Target Theatre Company – the first sponsorship by a trade union; Toyota GB sponsoring the National Youth Orchestra; six new sponsorships of Glasgow's Mayfest; and Schroders' sponsorship of an exhibition of German Industrial Design at the Science Museum.

Source: Office of Arts and Libraries press notice, 21.7.87.

DOCUMENTATION

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Statement on the 1987 Community Budget. HM Treasury. Cm 194. HMSO, £3·20. ISBN 0 10 101942 4.

British Overseas Aid 1986 (see p 257). Annual review of the work of the Overseas Development Administration (ODA). Published by the ODA. £7·95. ISBN 0 902500 20 1.

Falkland Islands Development Corporation. Report and Accounts 1986 (see p 256). Available unpriced from Broad Street Associates Public Relations, 30 Furnival Street, London EC4A 1JE.

Agreement between the government[s] of the United Kingdom . . . and the . . . Union of Soviet Socialist Republics concerning co-operation in the field of study, exploration and use of outer space for peaceful purposes. Moscow, 31 March 1987 (see p 126). Cm 183 (Treaty Series No 32 [1987]). HMSO, £1·60. ISBN 0 10 101832 0.

Economic and Scientific Affairs

Cash Limits 1986-87. Provisional Outturn (and 1985-86 Outturn). Cm 189. HM Treasury. HMSO, £6·30. ISBN 0 10 101892 4.

The Regulation of the Wholesale Markets in Sterling, Foreign Exchange and Bullion. A revised paper describing the way in which the Bank of England intends to regulate these markets. Includes outlines of standards of capital adequacy and codes of business behaviour for market participants. Available unpriced from the Bank of England, Threadneedle Street, London EC2R 8AH.

The United Kingdom Coinage. Royal Mint. Describes some possible changes to the coinage, and invites all interested parties to express their views. The main issues are the weight and convenience of the coins and the likely possible changes that would result in smaller and lighter 5p and 10p pieces. Available unpriced from the Board Secretary, Royal Mint, Llantrisant, Pontyclun, Mid Glamorgan CF7 8YT.

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British Venture Capital Association Report on Investment Activity 1986 (see p 278). Available unpriced from the Association at 24 Old Bond Street, London W1X 3DA.

Collaboration between Industry and Higher Education: Nine Case Studies. Brochure describing winning entries in the Department of Trade and Industry's Industry Year Award (see p 27). Available free from the DTI, Room 705, Bridge Place, 88-89 Eccleston Square, London SW1V 1PT.

Small Firms Service Annual Report 1986-87 (see p 279). Department of Employment. Available free from the Department's Small Firms Division, Steel House, Tothill Street, London SW1H 9NF.

The Mineral Exploration and Investment Grants Act 1972, Fifteenth Annual Report. Department of Trade and Industry. HMSO, £1·90. ISBN 0 10 204588 7.

Animal Health 1986: report of the Chief Veterinary Officer. Ministry of Agriculture, Fisheries and Food, and Scottish and Welsh Offices. HMSO, £8·20. ISBN 0 11 242812 6.

The Effects of Pesticides on Human Health. Second Special Report from the House of Commons Agriculture Committee, Session 1986-87.

Vol I. Report and Proceedings of the Committee. HMSO, £6·30. ISBN 0 10 291787 6.

Vol II. Minutes of Evidence. HMSO, £15·20. ISBN 0 10 293687 0.

Vol III. Appendices to Minutes of Evidence. HMSO, £10·80. ISBN 0 10 293587 4.

National Coal Board. Report and Accounts 1986-87. Available from British Coal, Purchasing and Stores Department, PB2, Coal House, Doncaster DN1 3HD. £3·50. ISBN 0 906394 12 0.

The Electricity Council. Annual Report and Accounts 1986-87. Available from the Electricity Council, 30 Millbank, London SW1P 4RD. £2·50. ISBN 0 85188 112 2.

Central Electricity Generating Board. Annual Report and Accounts 1986-87. Available from the Central Electricity Generating Board, Department of Information and Public Affairs, Sudbury House, 15 Newgate Street, London EC1A 7AU. £2. ISBN 0 902543 84 9.

North of Scotland Hydro-Electric Board. Report and Accounts 1986-87. Available unpriced from North of Scotland Hydro-Electric Board, 16 Rothesay Terrace, Edinburgh EH3 7SE.

South of Scotland Electricity Board. Report and Accounts 1986-87. Available from South of Scotland Electricity Board, Cathcart House, Spean Street, Glasgow G44 4BE. £2·50.

United Kingdom Atomic Energy Authority Annual Report 1986-87. UKAEA. Available from HMSO, £3. ISBN 0 7058 1166 2.

The National Rivers Authority (see p 271). The Government's Proposals for a Public Regulatory Body in a Privatised Water Industry. Department of the Environment, Ministry of Agriculture, Fisheries and Food, and Welsh Office. Available unpriced from Room A440, Department of the Environment, 2 Marsham Street, London SW1P 3EB.

Traffic and Parking. Report of a joint working group on traffic and parking of the Department of Transport and local authority association representatives. A consultative document containing proposals to simplify and improve the legislation and procedures governing traffic and parking regulation. Available unpriced from the Traffic Policy Division, Department of Transport, 2 Marsham Street, London SW1P 3EB.

Road Safety. The Next Steps (see p 273). Available unpriced to individual enquirers from the Department of Transport, Room C18/12, 2 Marsham Street, London SW1P 3EB.

British Railways Board. Annual Report and Accounts 1986-87. Available from HMSO, £4.

London Regional Transport Annual Report and Accounts 1986-87. Available unpriced from London Regional Transport, 55 Broadway, London SW1H 0BD.

Financing of Rail Services. Third Report from the House of Commons Transport Committee, Session 1986-87.

Vol 1. Report and Minutes of Proceedings. HMSO, £7. ISBN 0 10 295887 4.

Vol 2. Minutes of Evidence. HMSO, £14·30. ISBN 0 10 295387 2.

Vol 3. Appendices. HMSO, £8. ISBN 0 10 294787 2.

BAA plc. Annual Report and Accounts for Year ended 31 March 1987. Available unpriced from the BAA, 130 Wilton Road, London SW1V 1LQ.

Civil Aviation Authority Annual Report and Accounts 1986-87. Available from the CAA, Greville House, 37 Gratton Road, Cheltenham, Gloucestershire. £5. ISBN 0 86039 314 3.

Innovation in Surface Transport: The Government Response to the Second Report of the House of Lords Select Committee on Science and Technology, Session 1986-87. The response accepts most of the Committee's recommendations, and underlines the substantial support given by the Government to fostering innovation to improve the efficiency of transport. Central government investment in research and development into surface transport amounted to about £34 million in 1986-87. Available unpriced from the Department of Transport, Room P2/035, 2 Marsham Street, London SW1P 3EB.

The Post Office. Report and Accounts 1986-87. The Post Office, 33 Grosvenor Place, London SW1X 1PX. £1·50. ISBN 0 946165 05 X.

A Strategy for the Science Base (see p 277). A discussion document prepared for the Secretary of State for Education and Science by the Advisory Board for the Research Councils. HMSO, £3·95. ISBN 0 11 270627 4.

Science and Public Expenditure 1987: a report to the Secretary of State for Education and Science from the Advisory Board for the Research Councils (see p 277). Available unpriced from Publications Despatch Centre, Department of Education and Science, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.

Civil Research and Development. Government response to the First Report of the House of Lords Select Committee on Science and Technology, 1986-87 Session (see p 276). Cm 185. HMSO, £2·20. ISBN 0 10 101852 5.

Fiscal Incentives for Research and Development Spending. Joint study from the Inland Revenue and HM Treasury. Looks at tax incentives for spending on research and development in Britain and nine other industrialised countries. Available from the Reference

Room, Room 8, Inland Revenue, New Wing, Somerset House, Strand, London WC2R 1LB. £15.

Acid Deposition in the United Kingdom 1981-1985 (see p 280). A Second Report of the United Kingdom Review Group on Acid Rain. Available from the Warren Spring Laboratory, Department of Trade and Industry, Gunnels Wood Road, Stevenage, Hertfordshire SG1 2BX. £10. ISBN 0 85624 457 0.

Pollution of Rivers and Estuaries. Third Report from the House of Commons Environment Committee, Session 1986-87.

Vol 1. Report. HMSO, £8. ISBN 0 10 294487 3.

Vol 2. Minutes of Evidence and Appendices. HMSO, £18·10. ISBN 0 10 294587 X.

Social and Cultural Affairs

Bangladeshis in Britain. The Government Reply to the First Report from the Home Affairs Committee, Session 1986-87 (see p 282). Cm 193. HMSO, £2·60. ISBN 0 10 101932 7.

The Housing Corporation Report 1986-87. Available free from the Housing Corporation, 149 Tottenham Court Road, London W1P 0BN.

The IBA Annual Report and Accounts 1986-87. Available from the Independent Broadcasting Authority, 70 Brompton Road, London SW3 1EY. £4·50. ISBN 0 900485 53 1.